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Discount Store News®

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Bradlees Overhauls Operations in Push for Profits

By KAREN PAXTON

DEDHAM, Mass. — Bradlees, which hasn't reported a profit all year, is holding fast to its year-long efforts to use selected, everyday low pricing and increased promotions sales to snare a larger market share.

Harold Frank, chairman, emphasized that the chain's latest competitive strategies have been adapted for the long haul. To that end, the Bradlees operation is being overhauled to more efficiently handle its promotions, improve technology, strengthen customer service and eventually push back into the black.

Besides previously announced plans to install POS systems chainwide by mid-1987, Frank, along with George Granoff, executive vp of merchandising, and Richard Silverman, senior vp of operations, outlined other programs:

- Renovated backroom plan to assign a different system for handling different types of merchandise—basic, promotional or fashion.
- Red help phones being installed at 20 in-store sites for customers who need assistance.
- An exclusive men's wear line—Ardsley by Cluett—introduced for fall that provides the wider margins of a private label, plus a brand name.
- Appointing a person to the new position of vp merchandise planning and allocation last August to develop a structure for planning inventory levels, maximizing profits from promotions.
- Testing front-end scanning starting next year.

Harold Frank, left, George Granoff and Richard Silverman, discuss Bradlees' low-price strategy, which is strong in the brand-driven H&BA department. (DSN photo)

"We are following a strategy for the long-term health of Bradlees," Frank said flatly refusing to predict when the chain will return to profitability.

"I don't know how long it takes to turn the corner from higher volume and increased traffic to higher profits," he added.

Since the chain sharply slashed prices on branded commodity items late last summer and stepped up promotions, volume and traffic have picked up, Frank said. Volume for the fourth quarter of last year rose by 27%, for the first quarter of this year rose by 32% and for the second quarter rose by 15.9%. Profits, which plummeted by 60% during 1985, reportedly eluded the discount chain during the first half of this year. (Stop & Shop doesn't break out earnings for its discount division, although chairman Arvam Goldberg acknowledged a loss in the first quarter.)

Stock analysts, meanwhile, are projecting that Bradlees could have

(Continued on page 4)

Venture's Clarke Takes Helm at Caldor, Set 'to Fix Business'

NEW YORK — Caldor has a new parent company, a new chairman and a new set of merchandising and performance directives.

The new parent company, May Department Stores Co., addressed financial analysts and the press here about its takeover of Associated Dry Goods, which included Caldor and Loehmanns.

May chairman David C. Farrell announced that Don R. Clarke, 40, chairman of its Venture operation would move to Caldor as chairman, replacing Jim Guinan, who resigned.

The parent company's first task at Caldor, already underway, is to "cut back on expansion and fix the business," Farrell said.

Don Clarke

Thomas Hays

Although Caldor is an important name and seen as an expansion vehicle, the chain "hasn't had a clear set of directions," he added. "It hasn't understood the business of discounting."

Farrell acknowledged that liquidation of some of Caldor's existing merchandise may result in a writedown of inventory.

"We will not wait too long," Farrell said. He admitted that Caldor's problems were

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Schedule for 1987 Is Hot Topic

Microwave and non-stick cookware are among the hot products at the NHMAs 85th Housewares Show, but next year's show schedule also is among the hot topics as buyers and vendors stew over show options. (DSN photo)

Fred Meyer Looking To Reduce Debt

PORTLAND, Ore. — The investors who in 1981 acquired Fred Meyer, the Pacific Northwest's largest general merchandise retailer, have returned to the market for money to help pay for the costs of acquisition.

Net proceeds of $60 million from the public offering will go toward reducing a debt of more than $125 million incurred in the original buyout, the purchase and construction of new stores and the rebuilding of existing units.

The firm, founded by Fred

(Continued on page 73)

French-Based Carrefour Tests U. S. Hypermarket

SECAUCUS, N.J. — The hypermarkets are coming, the hypermarkets are coming.

Carrefour, the French-based $6.3 billion international retailer that is the leading hypermarket operator in the world, plans to spend about $50 million to test single units in the metro New York and Philadelphia markets next year as a prelude to a full scale thrust into the United States.

The stores will follow the hypermarket format that combines a supermarket and a discount store into a unit that can reach 150,000 sq. ft. or even larger.

In Metropolitan New York, Carrefour plans a prototype hypermarket as part of a 725,000-sq.-ft. shopping center in Brookhaven, L.I., about a mile from the 1.4 million-sq.-ft. Smith Haven Mall and a 100,000-sq.-ft. Price Club membership warehouse.

The Philadelphia Carrefour will be part of the proposed Liberty Bell Shopping Center planned for the site of the

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MS JEANNE LONG
CONGRESSIONAL INFOR SVC 1L5
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BETHESDA MD 20814

Porno Crackdown To Spare Retailers

WASHINGTON — Justice Department prosecutors will not be targeting discount stores and other retail outlets that sell magazines such as *Playboy* and *Penthouse* in a new federal crackdown on pornography, according to U. S. Attorney General Edwin Meese III.

In a press conference late last month, Meese unveiled a long-awaited plan to combat pornography and told reporters that the Justice Department will be focusing on distributors of material that contains, among other things, child pornography and rape scenes and that are "violent and degrading to women." Specifically, federal agents will follow guidelines set down by the Supreme Court in its ruling on pornography, Meese said.

Meese's plan endorses more than 90% of the 93 recommendations that were contained in a 1,960-page report on pornography prepared by an 11-member panel and released this past summer.

Meese said his plan is not aimed at retail outlets that sell materials that are "offensive to some but nonetheless have been recognized by the courts as within the bounds of protected speech." But he did encourage "hundreds of thousands of concerned citizens" to make their anti-obscenity views known to retailers across the country. Meese said that consumer boycotts have been a traditional form of expression for moral causes.

Critics of Meese's new plan, including the American Civil Liberties Union, said that although retail outlets that sell magazines such as *Playboy* and *Penthouse* will not be repressed by federal agents, publicity about the the plan is enough to frighten publishers and retailers out of the business of selling sexually oriented materials.

Edelman Withdraws Bid to Acquire Lucky As Board Stands by Stock Buyback Plans

NEW YORK—The takeover battle between Lucky Stores and New York investor Asher Edelman is over.

Edelman dropped his $37 a share bid following Lucky's most recent move to increase the amount of stock it was willing to buy back to 40% from 22%.

"We are pleased that Edelman dropped his proposal, which was previously rejected by Lucky Stores' board," said John M. Lillie, chairman of Lucky Stores Inc.

Lillie said that the board will evaluate plans for either selling its specialty units or spinning them off to shareholders. There is also a possibility that if the units are sold, the company may raise its repurchase offer.

Lucky's most recent offer called for a layout of $818 million against the $450 million originally proposed.

That proposition was reported by sources who attended a meeting between Edelman and Lucky Stores. Edelman, whose last bid was $37 a share, equal to $1.88 billion, had said he was unimpressed.

"Nothing at the meeting convinced me," he said, "that what they intend for shareholders is as good or better than the $37 I offered. They're offering considerably less than the $37 I am, which I believe is a major breach of their fiduciary duties to shareholders."

Edelman reportedly countered by suggesting that Lucky Stores initiate a leveraged buyout, with or without him as an equity participant. Sources quoted Edelman as saying he would be satisfied if Lucky liquidates or restructures to maximize shareholder value by minimizing taxes the company would owe on the proceeds from divestiture.

The takeover specialist is reported to own more than 3% of outstanding Lucky shares and would profit from an increase in its stock price.

After rejecting Edelman's initial offer of $35 a share, Lucky said last month it will close 80 Gemco stores, and it sold 54 locations to Target for $374 million. Edelman called the sale a bad move because it will not be a tax-free transaction.

Danners Gains Reprieve With Credit Agreement

INDIANAPOLIS — Danners personnel can breathe a sigh of relief following the signing of a standby agreement with the company's 10-bank lender group.

The discounter had failed to meet the sales and profit levels of the revolving credit agreement and exceeded prescribed borrowing guidelines as of Aug. 30. Danners had violated its loan agreement before, but the lender group had waived the violations.

The standby agreement, which expires Jan. 15, 1987, provides the chain with cash flow to repay banks and pay vendor and supplier bills during the Christmas season.

Mark S. Danner, company president, announced that the standby agreement will let Danners operate, "without the fear that the default under the revolving credit agreement will cause the calling of the loan," as long as the chain can abide by the agreement.

Danners began working with a financial consulting firm, Bear, Stearns & Co. Inc., last month to help it during this highly unstable period. The firm is reviewing options for financial restructuring.

Another Danners strategy was to close for a day all 35 of its 3D discount stores Oct. 15 to implement a new everyday low price policy. The chain opened the next day with markdowns on more than 5,000 items.

Mass Market May Resurge

Hyundai Computer Gains Outlets

NEW YORK — More retailers have expressed interest in offering the Hyundai Blue Chip home computer, in what could signal a return to the computer business for the mass merchant. (See *DSN*, Oct. 13, page 1).

Blue Chip Electronics, the marketing agent for the Korean manufacturer, presented an updated list of retail chains that will sell the new IBM-XT compatible unit at a recent New York press conference.

John Rossi, president of the Chandler, Ariz., marketing firm, said Target, Caldor, Fedco, SaveMart and specialty consumer electronics chains The Federated Group and New York-based The Wiz are offering the Blue Chip chainwide.

Wal-Mart and Toys "R" Us were mentioned as retailers that are planning to test market the personal computer.

Price alone helps set the Blue Chip apart from other IBM clones. It is priced at $699 for 512K random access memory (RAM) on the mother board, with one 5.25-in. floppy disk drive. This price makes the system one of the lower ticket IBM compatible models available.

Rossi also announced that Hyundai plans to introduce an IBM-AT compatible model next Spring.

New Prints Comfort Buyers

Will discount store shoppers be treated to new designs in bed and bath next spring? Buyers are optimistic that this month's market week in New York will turn up exciting new prints and, more important, that recently merged mills have solved delivery problems. See story page 19. Soft Lines also features a report on intimate apparel. (DSN photo)

Discounters Go For Radio Spot Ads

NEW YORK — Catalog showrooms nearly tripled their spot radio advertising budgets during the first half of this year, while discounters and department stores also significantly increased spending, indicate data collected from Radio Expenditures Reports (RER) and tabulated by the Radio Advertising Bureau (RAB).

Retail stores, which consist of catalogers, mass merchandisers and traditional department stores, showed the second largest percentage change, following government spending, with a 61% gain.

Catalogers had budgeted $514,000 during the first six months of 1985 but spent more than $1.6 million during the same period this year.

K mart nearly doubled its expenditures to $1.1 million from $574,000, while Zayre topped $1.2 million, compared with $1.1 million for the first six months of 1985.

Target's spending edged up to $759,000 from $688,000, but Gold Circle trimmed spending by $1,000 to $24,000.

Kenneth J. Costa, vice president for marketing information at the RAB, said that, while these figures underestimate actual spending because they don't take smaller regional radio stations into account, the numbers do accurately reflect overall percentage changes in ad expenditures.

Categories Posting Significant Spot Radio Increases
6 Months 1985 vs. 1986

Category	Jan.-June 1985 (00)	Jan.-June 1986 (00)	% Change
1. Government	$ 10,158	$ 6,108	+66.3%
2. Retail Stores	12,810	20,623	+61.0
3. Education	1,227	1,773	+44.5
4. Pet Products	1,521	2,087	+37.1
5. Professional Employment	2,208	2,819	+27.7
6. Publishing & Media	12,959	14,747	+13.8
7. Communication	27,322	30,968	+13.3
8. Drug Products	10,798	12,229	+13.3
9. Health Care Services	5,295	5,981	+13.0
10. Food Products	127,452	136,422	+ 7.0

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Off-Price Chains Dominate TV Apparel Ads

NEW YORK — Off price chains dominate the list of the top 15 clothing store television advertisers for the first six months of the year, reports the Television Bureau of Advertising.

Spending on local television ads rose 9% for all clothing stores during the first half of 1986 to $41.5 million, an increase from almost $35 million for the year-earlier half.

Increases for the 12 off-price chains on the chart generally outpaced that overall jump in spending. K mart's Designer Depot chain went from an all-but-invisible $200 to more than $500,000 in local television ads in the first half of this year. Marshalls, which leads the group with $41.5 million in local spots, increased its spending by 19%.

Kuppenheimer Clothiers, which was this year repositioned and renamed from Kuppenheimer Factory Outlets, doubled its spending on television advertising between January and June to more than $2 million.

S&K Famous Brands, which like Kuppenheimer sells only men's clothing, increased its television ad outlays by 113%.

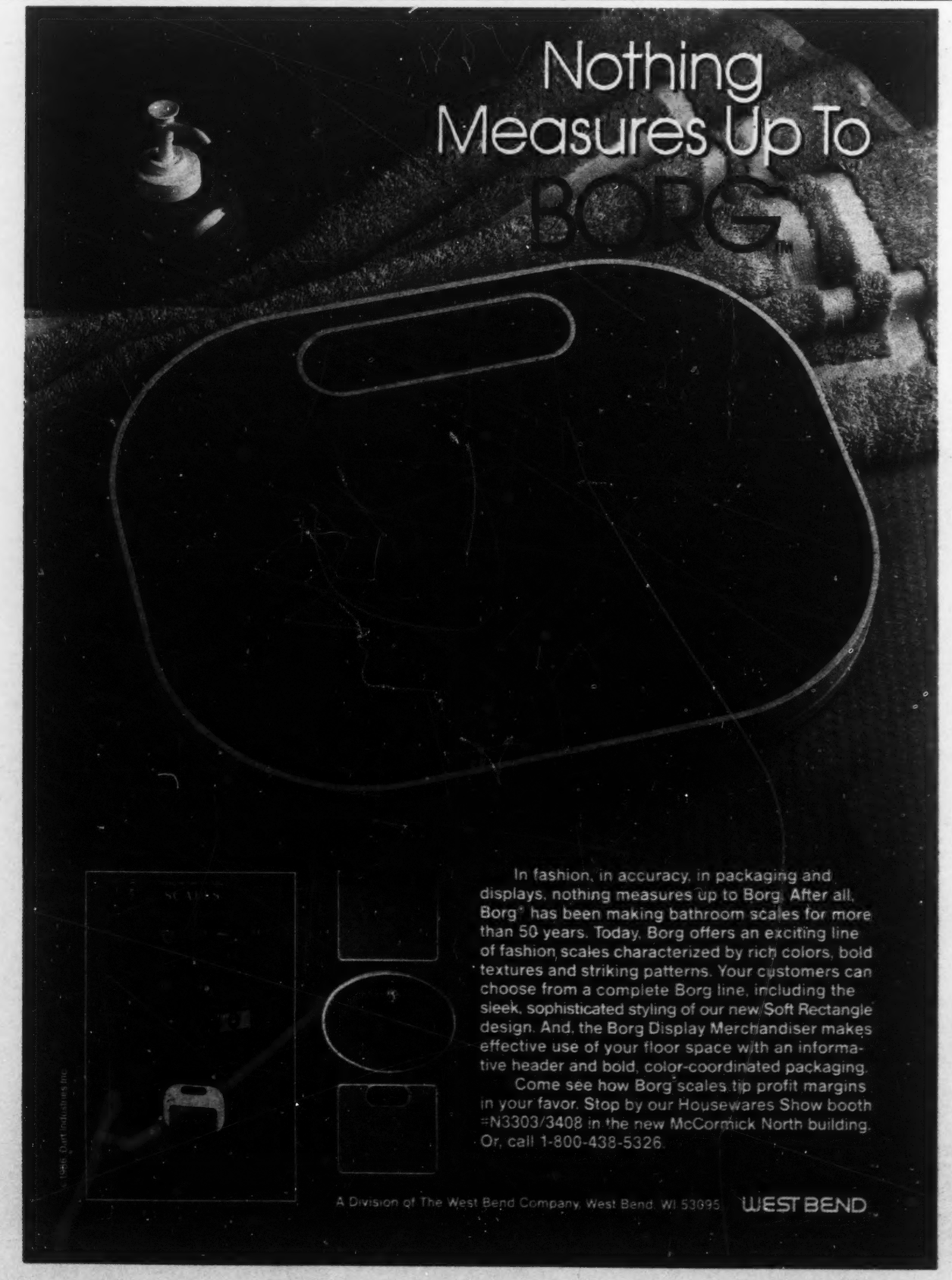
While those chains advertised in multiple markets, some of the top spenders spent all their money in one or two regions. C&R Clothiers, No. 2, advertised in Los Angeles and San Diego. National Brand Outlet spent its $707,000 in the New York market.

Of the top 15 advertisers, eight sell only men's wear.

Top 15 Clothing Store TV Advertisers

	Jan.-June 1985	Jan.-June 1986	% Change
Chain	$34,988,000	$41,521,100	+ 19
Marshalls (Multi-Market)	3,952,500	4,913,700	+ 24
C & R Clothiers (Los Angeles, San Diego)	3,945,900	4,174,600	+ 6
Burlington Coat Factory (Multi-Market)	2,599,500	3,462,300	+ 33
T. J. Maxx (Multi-Market)	2,302,800	2,886,900	+ 25
Miller's Outpost (Multi-Market)	3,253,500	2,583,200	− 21
Kuppenheimer (Multi-Market)	882,600	2,284,700	+159
Ross Discount Clothing (Multi-Market)	1,812,400	2,103,900	+ 16
Syms (Multi-Market)	1,507,500	1,447,400	− 4
S & K (Multi-Market)	636,900	1,353,900	+113
Front Row (Multi-Market)	591,400	830,400	+ 40
National Brand Outlet (New York)	430,000	707,700	+ 65
Men's Wearhouse (Houston, San Francisco)	904,400	614,100	− 32
Designer Depot (Multi-Market)	200	507,900	+++
Smith's Men's Clothing (San Francisco)	—	459,500	+inf.
Anders Men's Clothing (Multi-Market)	—	419,600	+inf.

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data


Nothing
Measures Up To
BORG
In fashion, in accuracy, in packaging and displays, nothing measures up to Borg. After all, Borg® has been making bathroom scales for more than 50 years. Today, Borg offers an exciting line of fashion scales characterized by rich colors, bold textures and striking patterns. Your customers can choose from a complete Borg line, including the sleek, sophisticated styling of our new Soft Rectangle design. And, the Borg Display Merchandiser makes effective use of your floor space with an informative header and bold, color-coordinated packaging.
Come see how Borg scales tip profit margins in your favor. Stop by our Housewares Show booth #N3303/3408 in the new McCormick North building. Or, call 1-800-438-5326.
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WEST BEND

Heck's Shuffles Lineup In Nine Key Positions

NITRO, W. Va. — Heck's Discount Stores has announced nine personnel changes in its advertising and merchandising departments.

All of the appointments were made prior to the development of the Toussie-Viner Group aquisition agreement. Under the agreement, Heck's will be merged into a new corporation with Toussie-Viner.

Chuck Gunsallus has been named divisional merchandise manager, hardlines at Heck's. He joined the company from Cook United, where he held a similar post.

Joe Blanchette, who had been with Howards Discount Stores, has joined Heck's as senior vice president of advertising/marketing.

Also new to the discounter's advertising department is Jerry Ryan. He had been with T.G. & Y. before being named to his position as advertising director.

Rick Bender, who had been director of sales promotions with Heck's, has been promoted to media & public relations director.

In merchandising, Cliff Pruitt is the new buyer for ladies lingerie, accessories and jewelry. He had been with Howards.

Formerly a buyer with Conley's Department Stores, Jan Goodall has joined Heck's as buyer for girls 7-14, infants and toddlers.

The new buyer for domestics and floor coverings is Ken Felton, who previously had worked with Hills Department Stores.

Dennis Busch has become paint and hardware buyer at Heck's and came to the chain from Makro.

Ann Campbell has joined the firm as a toys buyer.

Stuarts Takes Fashion Show on Road, Opening First Store in Connecticut

HOPKINTON, Mass. — Continuing its expansion plans, Stuarts Department Stores has opened a 52,000-sq.-ft. store in New Britain, Conn.

This is the first Connecticut store for the New England discounter, which operates 20 other units. It chose this city because its low-to middle-income population meshes well with the company's target customer.

To promote the discounter's soft lines departments, which comprise more than 50% of the overall merchandise mix, Stuarts kicked-off the store opening with a fashion show featuring merchandise on sale.

"The fashion show is a successful new concept in promoting discount clothing," said Anthony Cincotta, vp of merchandising. "You expect to see professionally-executed fashion shows at 'upscale' stores like G. Fox or Bloomingdale's, but not at a discount department store.

"We first tried the fashion show concept in September at the grand opening of our Worcester (Mass.) store, and it contributed to making Worcester the most successful opening in Stuarts history."

Besides the fashion show, free balloons, refreshments, merchandise gift certificates, and tickets to a Sesame Street stage show at the Hartford Civic Center highlighted the New Britain opening.

In 1987, the company plans to open 10 more stores in New England.

Business Leaders Paint Gloomy Economic Picture

NEW YORK — Business leaders are losing their confidence in the U.S. economy, noted a recent survey released by The Conference Board.

Less than a third of the 1,000 executives in 24 major industries anticipate an improvement in the U.S. economy during the next six months.

"Business leaders are apparently less sanguine than they were earlier this year about the economic impact of new federal tax policies, this country's trade balance and even the still relatively low rates of inflation," said Steven Malin, an economist with The Conference Board.

The report notes that strong competitive pressures will limit price hikes during the rest of 1986 and 1987.

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Vol. 25, No. 22 November 10, 1986

New Colors, Gadgets Will Sweeten Housewares Sales in 1987

By HAROLD RUBIN
President,
HalMar Distributors

In 1987, houseware sales ill be whipped up with new olors and products, sweeteng sales that have left a bad aste for discounters during he past couple of years.

New bath colors and gadget rands will boost sales, and microwave cookware will continue to heat up.

Following Rubbermaid's introduction of slate blue, other manufacturers are replacing greys and poppies with muted blue tones in closet merchandise like sweater boxes and hangers, as well as in kitchen accessories such as drainage racks and soap dishes.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	GADGETS			
1	407R Swing Away Opener	16,937	5.21	88,241.77
2	107 Wing Way Jr Opener	29,964	2.69	80,603.16
3	101 Range Reflector 6in	24,576	2.60	63,897.60
4	102 Range Reflector 8in	20,710	3.05	63,165.50
5	29031-UC Timer White	5,744	7.64	43,884.16
6	00050 Stainless Peeler	25,567	1.70	43,463.90
7	D811B Cordless Timer	3,385	12.59	42,617.15
8	29035-UC Timer Almond	5,148	7.64	39,330.72
9	08840 4 Way Can Opener	21,092	1.70	35,856.40
10	105A Reflec Pan-Ge-Hotpt 6	24,276	1.43	34,714.68
11	D711B Supercop Plug-In Time	3,185	10.79	34,366.15
12	106A Reflec Pan-Ge Hotpt-8	17,019	1.97	33,527.43
13	00030 Peeler	33,432	0.89	29,754.48
14	341X Executive Ashtray	16,021	1.79	28,677.59
15	08850 Miracle Can Opener	24,616	1.16	28,554.56
	BATH			
1	2353 Lg. Shower Caddy Wh	12,209	5.12	62,510.08
2	N443 Portable Shower Spray	5,763	10.79	62,182.77
3	M100 Molded Toilet Seat Wh	5,713	9.44	53,930.72
4	2351 Shower Caddy Wh	11,463	3.14	35,993.82
5	C441 Selfix Shampoo Spray	14,672	2.42	35,506.24
6	2110 Selfix Twin Hook	22,327	1.52	33,937.04
7	M3000A Padded Seat Wh	1,681	17.64	29,484.74
8	38170 24 Towel Bar	7,822	3.14	24,561.08
9	2298 Selfix Tissue Holder	10,410	2.24	23,318.40
10	M3000A Padded Seat Bl	1,309	17.54	22,959.86
11	38890 Toilet Tissue Holder	8,645	2.60	22,477.00
12	38110 18in Towel Bar	8,212	2.69	22,090.28
13	2274 Towel Bar 24in	9,326	2.33	21,729.58
14	38160 24 Twin Towel Bar	4,277	4.94	21,128.38
15	M200 Hi Rise Toilet Seat Wh	1,467	14.39	21,110.13

In bath, plum, raspberry and hot pink will turn around a department that had relied on almond, brown and white. Discounters are giving the category a boutique look, similar to that of traditional department stores.

Gadget business is booming, partly thanks to new and recarded packaging. The new image has made previously blind kitchen tools like can openers and vegetable peelers branded and more identifiable purchases.

New gadgets, such as Ekco's Micro Helper line and Imperial Schrade's Ultimate can opener, represent margin making opportunities.

Priced at about $12, the non-electric Imperial can opener is probably too expensive for many discount shoppers, but it does represent the direction in gadgets toward more sophisticated designs.

The Ekco line, to be introduced at the Housewares Show, is specially designed for use with microwave ovens and cookware.

As far as microwave cookware is concerned, I wouldn't be surprised if it evolved into the discounter's primary cookware line a few years from now.

Traditional cookware grows more obsolete with each microwave oven sale and as shoppers change their eating habits.

New bath colors and gadget brands will boost sales, and microwave cookware will continue to heat up.

People go out to eat more often, and heat and serve meals are preferred in many young households where both members work. Excluding holidays, most households don't bake and cook as much as they thaw and reheat.

Even when they're using a microwave oven, consumers don't bake. That's why most discounters will continue to weed out higher ticket cookie sheets and muffin cups to concentrate on the low-ticket movers like the heat and serve lines.

Excluding turntables and popcorn makers, the microwave cookware business is generated by pieces that sell for no more than $5.

What would really turn microwave upside down? If somebody were to come out with a clear plastic microwavable line. As I understand it, there are technological reasons why it can't be created.

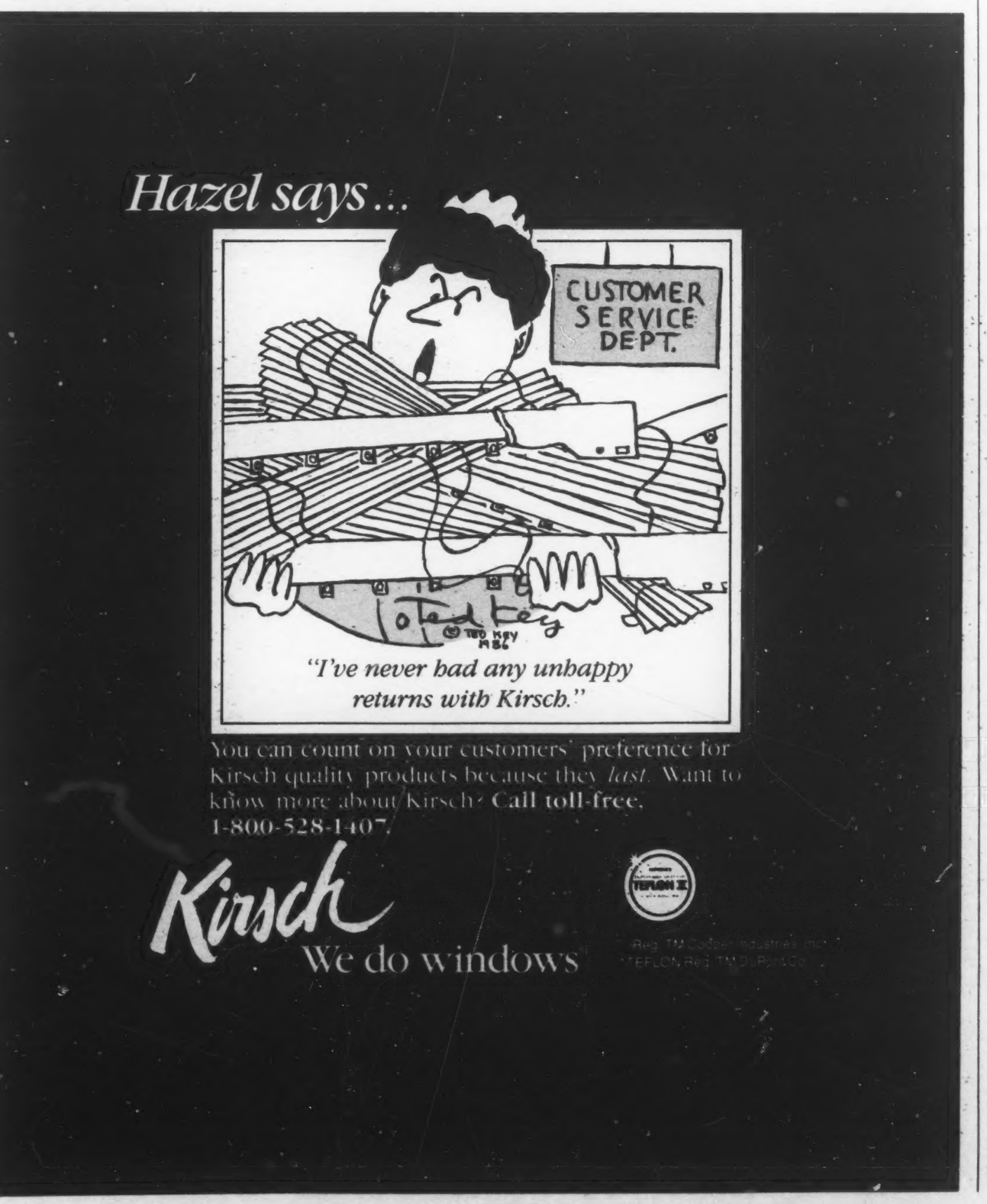
What consumers will be able to get now is a new clear glass storage and microwave line from Corning, called Storage Plus.

In glassware, single packs continue to perform well, with re-orders high. It will be six months more before all of our accounts have them into their stores and the volume becomes high enough to appear in these reports.

So far, there have been no complaints about handling the individually packaged glasses.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	PYREX			
1	1215 Bakers Choice Set	5,481	17.09	93,670.29
2	233 Utility Dish	12,442	7.19	89,457.98
3	234/4/Org Obl Bake Dish	8,167	8.99	73,421.33
4	516/Org Measure Cup	17,876	3.59	64,174.84
5	6230F Cov Cass & Bskt Fsid	5,159	10.52	54,272.68
6	508/Org Measure Cup	18,655	2.69	50,181.95
7	463 D Custard Cup	11,434	3.95	45,164.30
8	2320F 2qt Bake Dish & Bskt	3,858	11.60	44,752.80
9	232 Utility Dish	6,797	6.29	42,753.13
10	233M 3qt Rect Baking Dish	5,727	7.46	42,723.42
11	222 Org Cake Dishd Square	8,417	5.03	42,337.51
12	684M 2qt Cov Casserole	5,906	6.83	40,337.98
13	532/Org Measure Cup	8,404	4.67	39,246.68
14	210/6/Org 10in Pie Plate	10,348	3.41	35,286.68
15	464 D Deep Pie Dish	5,709	5.39	30,771.51
	GLASSWARE			
1	82486D 24pc Bolero Blue	8,617	19.79	170,530.43
2	3600/672A Entrtainr Set 40	3,722	33.29	123,905.38
3	82486T 24pc Bolero Tawny	6,163	19.79	121,965.77
4	82486 24pc Bolero Crystal	3,326	19.79	65,821.54
5	PM400/126 Mwave Corn Poppr	3,449	14.39	49,631.11
6	82443 24pc Impromptu Cry	2,395	20.69	49,552.55
7	1300/44 24pc Moments	1,560	26.99	42,104.40
8	PM469/T1 Mwave Bacon Rack	4,636	7.91	36,670.76
9	PM481/T1 Mwave Versatility	3,842	7.91	30,390.22
10	4523 Wexford Butter/Cov	13,363	2.24	29,933.12
11	PM400/155 Mwave 5pc Petite	1,022	28.79	29,423.38
12	82430K Go Cntry Gdn 24pc	968	26.09	25,255.12
13	2100/110 18pc Tempo Cry	3,088	8.09	24,981.92
14	81848 Symmetry 18pc Cry	1,224	20.24	24,773.76
15	4525 Wexford Salt & Pepper	9,811	2.15	21,093.65
	COOKWARE			
1	62304 Micro-Go-Round	2,760	44.99	124,172.40
2	64110 Bakers Cookie Sheet	23,619	4.67	110,300.73
3	64330 Bakers Db Cake Pan	25,843	4.13	106,731.59
4	64260 Bakers Roast/Bake	13,138	6.20	81,455.60
5	64200 Bakers 12-cup Muffin	16,004	5.03	80,500.12
6	64100 Bakers Cookie Sheet	19,454	3.95	76,843.30
7	26032 12in Chef Fry Pan	5,969	11.69	69,777.61
8	312G Saucepot 12qt Bone	4,568	15.11	69,022.48
9	26030 10 Saute Silverstone	7,356	8.99	66,130.44
10	46032 Chef Fry 12in S/Stone	3,333	14.84	49,461.72
11	64900 Bakers Secrt 9pc Set	1,786	26.99	48,204.14
12	26028 Saute Pan 8in S/Stone	7,233	6.29	45,495.57
13	46030 Chef Fry 10in S/Stone	3,532	12.59	44,467.88
14	0554119 Tea Kettle Almond	6,448	6.29	40,557.92
15	2542DP Tea Kettle Pineapl	6,393	6.29	40,211.97
	PLASTICS			
1	E2757 2qt Juice Decnter Clr	32,731	2.06	67,425.86
2	E2755 1qt Juice Decantr Clr	23,627	1.43	33,786.61
3	720 Spacemaker Bin Asst	28,273	1.07	30,252.11
4	L85 Paper Towel Holder	12,780	2.06	26,326.80
5	CS53D Decor Cutting Board	3,625	7.19	26,063.75
6	3216 Storage Bin 3pc Choc	953	22.85	21,776.05
7	3216 Storage Bin 3pc Alm	944	22.85	21,570.40
8	716 Sm Utility Bskt Asst	18,611	1.07	19,913.77
9	751 Nylon Baster	15,138	1.25	18,922.50
10	832 Trash Barrel 32gal Rnd	1,158	16.19	18,748.02
11	60130 Polar Pak Asst 3.5qt	4,967	3.59	17,831.53
12	721 Mini Spacemaker Bin Ast	24,681	0.71	17,523.51
13	806 Bowl Asst 13oz	39,184	0.44	17,240.96
14	865 Butter Dish Alm/Choc	14,037	1.16	16,282.92
15	809 Bowl Asst 2.5qt	10,077	1.61	16,223.97

Source: HalMar Distributors, Holyoke, Mass., for the Jan. 1 to Sept. 30, 1986 period, covering more than 500 stores, including 400 discount department stores from New England to the Carolinas.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TEFLON Reg. TM DuPont Co.

HOUSEWARES: PRODUCT MOVEMENT AUDIT

Cookware Expected to Drive Housewares Growth to 5% in '87

BATH AND CLOSET

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Strlite Jumbo Box-Almond Lid	2,250	6.89	15,502.50
2	Selfix Port Wall/Hand Shower	1,124	11.99	13,476.76
3	Itex Tubular Plastic Hngr Almd	67,206	0.19	12,769.14
4	Strlite Shoe Box-Almond Lid	6,096	2.09	12,740.64
5	Itex Tubular Plastic Hngr Blue	63,218	0.19	12,011.42
6	Strlite Sweater Box-Almnd Lid	2,388	4.69	11,199.72
7	Excell Shower Curtain Asst(24)	1,560	6.99	10,904.40
8	Itex Tubular Plastic Hngr Brwn	55,392	0.19	10,524.48
9	Itex Tubular Plastic Hngr Wht	54,684	0.19	10,389.96
10	Bev Wood Trouser Hanger Set 2	6,505	1.49	9,692.45
11	Itex Tubular Plastic Hngr Rust	46,946	0.19	8,919.74
12	Bev Wood Dress Hanger Set 4	5,793	1.49	8,631.57
13	Bev Wood Skirt Hanger Set 2	5,727	1.49	8,533.23
14	Cnslr Promo Bath Scale White	611	12.99	7,936.89
15	Selfix Shampoo Spray	2,788	2.69	7,499.72

COOKWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	G/H "Granite" Canner W/Rack 21qt	1,356	21.49	29,140.44
2	Ekco B/S Lrg Cookie Sht 17x11	3,481	4.89	17,022.09
3	W/E Pref Slv 10" Chef Fry Pan	1,981	7.99	15,828.19
4	Revere SS/CB Ktl Whist 2.3qt(6)	622	23.00	14,306.00
5	W/E Pref Slv 12" Chef Fry Pan	1,201	9.99	11,997.99
6	Ekco B/S Med Cookie Sht 15x10	2,653	4.39	11,646.67
7	Lodge C/Iron Skillet 10"	1,281	8.99	11,516.19
8	Ekco B/S Oblong Util Pan 13x9	2,520	4.39	11,062.80
9	Foley Percolator 9 Cup	1,380	7.99	11,026.20
10	W/E Pref Slv 8" Chef Fry Pan	1,648	5.99	9,871.52
11	Lodge C/Iron Skillet 12"	618	15.59	9,634.62
12	Foley Silv/Stone 10" S/P Oak Hdl	640	14.79	9,465.60
13	Normdy Giant Cov 12qt Pot Alm	749	12.29	9,205.21
14	Ekco B/S 12 Cup Muffin Pan	1,692	5.29	8,950.68
15	T-Fal Royale 11½" Fry Pan Bk	437	19.99	8,735.63

CORNING

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Visions 6pc set 1-1.5-2.5qt	1,095	58.99	64,594.05
2	Visions V5 Saucepn W/Free V-81	1,435	31.99	45,905.65
3	Visions 1.5qt Dbl Boilr W/Covr	876	32.49	28,461.24
4	Visions 2.5qt Cvd Saucepan	820	26.49	21,721.80
5	Corning Set F-1, F-3, F-5 White	366	52.99	19,394.34
6	Corning 9pc Set Pastel Boq	154	65.99	10,162.46
7	Crng Chef Master Set Pstl Boq	197	48.99	9,651.03
8	Crng 2qt Sauce Pan Pstl Boq	380	19.99	7,596.20
9	Visions 1.5qt Cvd Saucepan	350	21.49	7,521.50
10	Crng 3qt Sauce Pan Pstl Boq	306	23.99	7,340.94
11	Visions 10" Skillet W/Cover	310	22.99	7,126.90
12	Crng 5qt Sauce Pan Pstl Boq	247	27.99	6,913.53
13	Visions 1qt Cvd Saucepan	325	18.49	6,009.25
14	Visions 7pc Rangetop Set	62	84.49	5,238.38
15	Visions 9" Skillet	337	15.49	5,220.13

PYREX

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	3qt OBl Bake Dish	5,447	8.39	45,700.33
2	8oz Liquid Measure	8,280	3.19	26,413.20
3	16oz Liquid Measure	6,138	3.99	24,490.62
4	4qt Obl Bake Dish	1,897	10.99	20,848.03
5	2qt Obl Bake Dish	2,740	7.19	19,700.60
6	2qt Sq Cake Dishngtn 18	3,164	5.89	18,635.96
7	6oz Custard Cup 4 Pk	3,225	4.49	14,480.25
8	2 Liter Juice Jug	2,238	6.29	14,077.02
9	Butter Dish Clear	2,479	5.49	13,609.71
10	9in Pie Plate	3,684	3.49	12,857.16
11	Srvbl 2qt Cvd Casserole	1,450	7.99	11,585.50
12	Meas Set 564 W/Free 508	1,008	10.99	11,077.92
13	32oz Liquid Measure	1,882	5.69	10,708.58
14	Domed Ovn Cooker Clear	654	14.99	9,803.46
15	4qt Mix Bowl Blue	990	8.99	8,900.10

MICROWAVE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Rbm Micro Turntable	748	27.99	20,936.52
2	Nordic Micro-Go-Round Compact	268	43.99	11,789.32
3	Microette Corn Popper 3.5qt	1,008	7.99	8,053.92
4	A/H Fz/Ht & Sv(2) Bowls 14oz	2,472	3.19	7,885.68
5	A/H Fz/Ht & Sv(2) Oval Cass 17oz	2,401	3.19	7,659.19
6	A/H Micro Popper/Steamr/Roastr	522	14.29	7,459.38
7	Pyrx 2qt Cook & Measr Covd	590	12.49	7,369.10
8	A/H Fz/Ht & Sv(2) Platters 9x7"	2,267	3.19	7,231.73
9	A/H Fz/Ht & Sv(1) Oval Cass 28oz	2,160	3.19	6,890.40
10	A/H Fz/Ht & Sv(4) Ramekin 8oz	2,137	3.19	6,817.03
11	A/H Fz/Ht & Sv(1) Rnd Cass 48oz	2,112	3.19	6,737.28
12	Corning 10" Cov Brwning Skillt	177	29.99	5,308.23
13	A/H Micro Bacon Rack 12x10"	648	7.79	5,047.92
14	Crng 8.5" Sq Compact Bacon Rk	356	12.49	4,446.44
15	Pyrx 2qt Bake Dsh W/Gs & Ps Cv	339	12.49	4,234.11

GLASSWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	G/H Salt-Or-Pep Jar W/Hnd 4oz	9,165	0.99	9,073.35
2	Twilight Lamp Oil Qt Clear	3,179	2.39	7,597.81
3	Twilight Lamp Oil Qt Red	2,352	2.39	5,621.28
4	A/H Bulk Coolr "Clypso" Gold 23oz	5,265	0.99	5,212.35
5	Twilight Oil Lamp Mushroom	547	8.99	4,917.53
6	I/G 4pk Coolr Heritage Blue	738	6.59	4,863.42
7	Twilight Oil Lamp Early Amer	653	8.49	4,779.87
8	Twilight Lamp Oil Qt Yellow	1,993	2.39	4,763.27
9	Twilight Lamp Oil Qt Blue	1,968	2.39	4,703.52
10	Twilight Oil Lamp Gay 90's	552	8.49	4,686.48
11	Twilight Lamp Oil Qt Green	1,932	2.39	4,617.48
12	A/H Jar 1gal Sqr/Metl Screwtop	888	4.99	4,431.12
13	I/G 4pk Bever Heritage Blue	665	6.39	4,249.35
14	A/H Jar 2gal Rnd/Glass Lid	236	17.99	4,245.64
15	Lby Set 24pc Bolero Tawny	208	19.99	4,157.92

GADGETS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Selfix Wire Lrg Shower Caddy	10,056	5.69	57,218.64
2	G/L King-Size Shower Kaddy	5,442	5.99	32,597.58
3	Saw Hand Can Opener-Jr. Asstd	8,460	3.19	26,987.40
4	R/K Refl "Mega" Bowl 8" Plug-In	7,836	3.39	26,564.04
5	R/K Refl "Mega" Bowl 6" Plug-In	8,628	2.89	24,934.92
6	Saw Hand Can Opener Almond	3,655	6.29	22,989.95
7	Sunbeam Timer Short Ring Almnd	2,113	9.99	21,108.87
8	Saw Hand Can Opener Chocolate	3,076	6.29	19,348.04
9	Gemco Glass Replc Decant 10cup	3,443	5.49	18,902.07
10	Sunbeam Timer Short Ring White	1,892	9.99	18,901.08
11	Saw Hand Can Opener Red	2,792	6.29	17,561.68
12	G/L Jumbo Helpr Shelf (Stand)	3,543	4.69	16,616.67
13	R/K Refl Pan 8" Ge & H/P Hng Elmnt	6,720	2.09	14,044.80
14	R/K Refl Pan 6" Ge & H/P Hng Elmnt	8,418	1.59	13,384.62
15	Frgv Non-Stick 8" Range Bowl	3,001	4.39	13,174.39

COVERINGS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Contact 3yd Solid Clear	10,470	2.79	29,211.30
2	Contact 3yd Hearts & Flowers	9,576	2.79	26,717.04
3	Contact 3yd Candy Stripes	8,988	2.79	25,076.52
4	Contact 3yd Gridmate Blue	8,712	2.79	24,306.48
5	Contact 3yd Gridworks Almond	7,824	2.79	21,828.96
6	Contact 3yd Gridworks Blue	7,620	2.79	21,259.80
7	Contact 3yd Solid White	7,068	2.79	19,719.72
8	Contact 3yd Melissa	5,640	2.79	15,735.60
9	Contact 3yd Cdy Stripe Earthtn	5,484	2.79	15,300.36
10	Contact 3yd Solid Almond	5,352	2.79	14,932.08
11	Contact 3yd Flw Drum Song Brwn	5,256	2.79	14,664.24
12	Contact 3yd April Morn	4,836	2.79	13,492.44
13	Contact 3yd Country Stencil	4,644	2.79	12,956.76
14	Contact 3yd Country Calico	4,608	2.79	12,856.32
15	Contact 3yd Solid Blue	4,248	2.79	11,851.92

(Continued on page 33)

By Lloyd Barnblatt
Vice President
Bacar Inc.

While 1987 won't be a record setting year, I think we'll see 5% growth, especially with new product introductions in the increasingly competitive cookware and bakeware categories.

Consumers, unsure of how the tax laws will deplete or boost their discretionary dollars, are going to be thinking twice before picking up a new housewares item, especially higher ticket merchandise

In bakeware, Baker's Secret by Ekco continues to be the dominant line we carry, but it's possible Corning's Clear Advantage, non-stick glass cookware could hurt Ekco's sales, even though Corning costs about 25% more.

The new Great Cooks line by Mirro/Foley, featuring a non-stick surface both inside and out is competing against the Wear-Ever Preferred line which has a SilverStone interior and a heavier guage metal.

While the Wear-Ever line is more expensive, it has been on the market longer and is probably more recognizable to consumers. It's too early to say where this vendor struggle is going to end up.

The T-Fal line remains steady, but I belive SilverStone is making some inroads into the company's volume.

In bath and closet, tubular hangers are still up to speed. We have added some new pastel colors such as lavender, rose and grey to supplement the earth tones.

The Corning Visions line is generating phenomenal sales, in fact, maybe too good.

At this point, the company is only shipping 70% of the orders placed with the factory by the beginning of October.

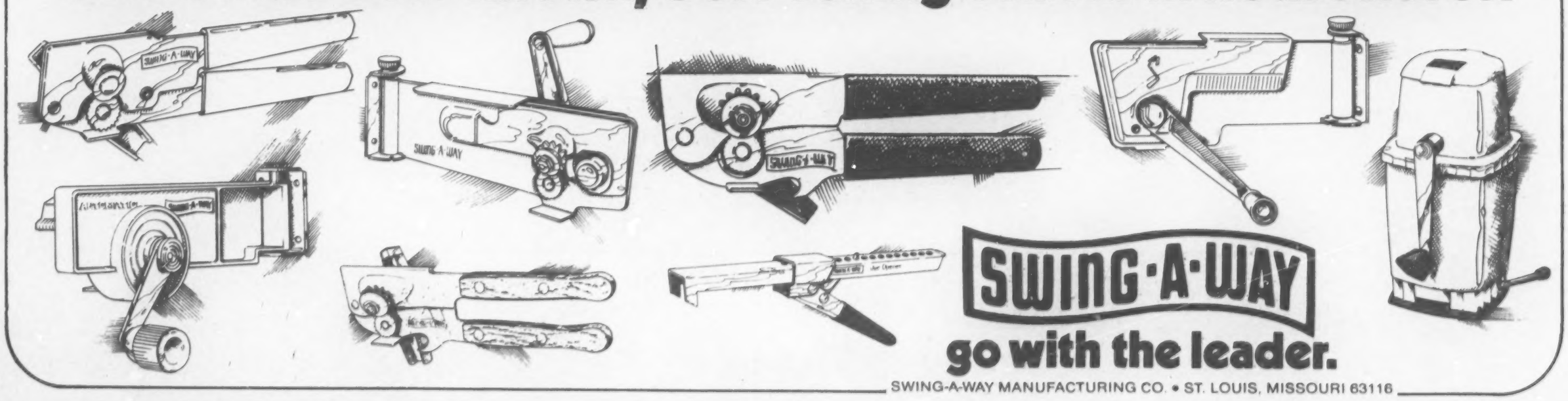
Corning just didn't anticipate the kind of demand the Visions line is drawing.

The Pastel Bouquet motif is selling well. The fact that it's a new design is in itself a reason for the success of the pattern. The way the colors fit in with home decor is also a big factor.

The manufacturer's French White line is still having problems, and I'm really not sure what's happening here. As of Jan. 1, 1987, the company is cutting prices by 10%.

(Continued on page 33)

One of the best-known, best-selling brands in housewares.



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SWING-A-WAY MANUFACTURING CO. • ST. LOUIS, MISSOURI 63116

Housewares Growth Set At 5% in '87

(Continued from page 30)

Most people buying the Cornflower pattern are replacing old or broken pieces of sets bought long ago. Complete set sales are waning.

Everyone has jumped on the Spice wagon, and sales of the line are showing that it has become old news.

Reduced price promotions in clearware, such as Pyrex, during the third quarter were successful and generated some additional volume, especially the combination Batter Bowl and Measuring Cup package.

This was actually a carryover from the second quarter; we had some residue during the third.

Anchor Hocking's Freeze, Heat & Serve line represents our best resource as a microwave product line, but the Rubbermaid Microwave Turntable and Nordic's Microwave Compact Turntable are the leaders as far as individual items are concerned.

I believe microwave as a category is still going through a weeding-out process. We'll just have to wait and see which lines consumers choose as dominant.

In gadgets we will soon be carrying a full line of kitchen tools from Bonny with coordinated, easily identified packaging. We'll see what else the housewares show offers in this category.

Glassware figures are a little off, because we now include oil lamps and lamp oil in the category.

The single pack glassware business is still strong, although this report doesn't reflect their sales, because it's such a low-priced category.

We continue to experiment with glassware sets, working on new merchandising concepts to encourage volume and dollars.

Plastics have been a good impulse sales category for us, especially stackable, small rectangular and round baskets.

Color has been a prime factor in plastics. The standard chocolate, almond and white are being supplemented with pastel colors that help to brighten shelves and sales.

Rubbermaid's new Roughneck Totes are really taking off, as are the company's stackables.

The storage category is strong right now and is being enjoyed by everyone at the retail level.

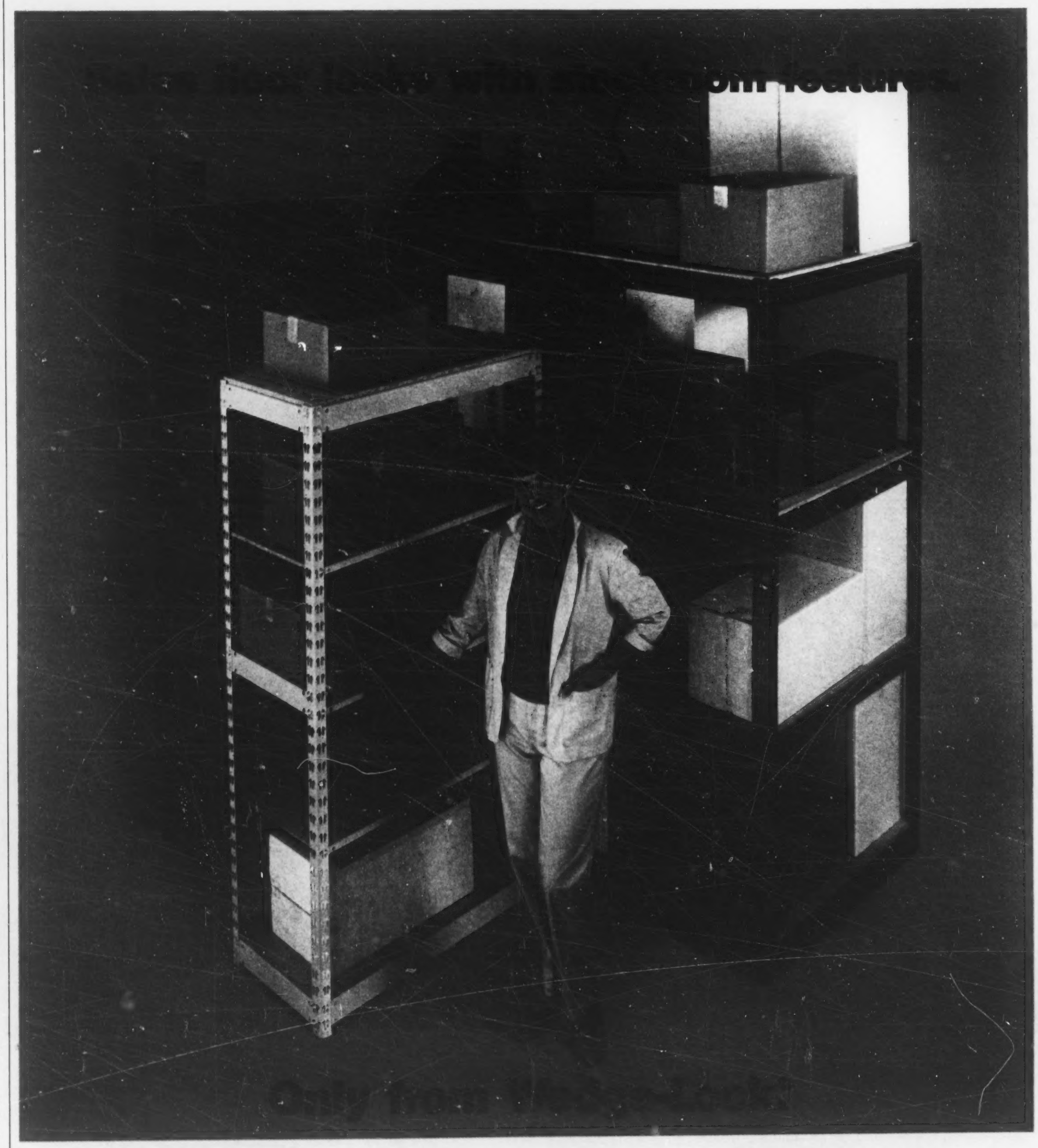
Slate Blue is a hot seller. In some cases, it's as good as almond, traditionally Rubbermaid's seller.

Highly promotable ConTact 3-yard rolls are a solid basic for us and are performing up to our expectations.

Vacuumware during the back-to-school season generated a 15%-20% increase this year. Among the top items were the 12-piece school lunch kits from both Aladdin and Thermos.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement	$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
TABLETOP					**RUBBERMAID**				
1	Mlt Cone Filtr No.4 (6cup) 100ct	10,188	3.79	38,612.52	1	R/Neck Rnd Can 32gal Choc	1,738	24.99	43,432.62
2	Mlt cone Filtr No.4 (5cup) 40ct	11,327	1.69	19,142.63	2	Rect Laundry Baskt Sltblue	5,316	6.89	36,627.24
3	Mlt Cone Filtr No.6 (10cp) 100ct	4,716	3.99	18,816.84	3	Single Turntable Almond	8,580	3.29	28,228.20
4	Mlt Coffeemaker System 10cup	1,449	9.99	14,475.51	4	Dlx Dish Drain Wire Sltblu	3,504	7.89	27,646.56
5	Mlt Cone Filtr No.2 (1cup) 100ct	4,248	3.29	13,975.92	5	Twin Turntable Almond	4,879	5.59	27,273.61
6	Mlt Cone Filtr No.6 (10cp) 40ct	5,994	1.79	10,729.26	6	Drain Tray 15x20 Almond	4,896	5.39	26,389.44
7	Mlt Coffeemaker System 6cup	1,014	9.49	9,622.86	7	Rect Laundry Baskt Almond	3,775	6.89	26,009.75
8	Mlt Cone Filtr No.2 (1cup) 40ct	5,952	1.49	8,868.48	8	Dlx Dish Drain Wire Almond	3,186	7.89	25,137.54
9	Lvngwr 16pc Set Morning Blue	215	36.99	7,952.85	9	R/Neck Step Stool Almond	2,516	9.99	25,134.84
10	Nordic Ice Creamer	179	39.99	7,158.21	10	Sml Bathmat 14x22 White	6,288	3.99	25,089.12
11	Lvngwr 16pc Set Melody	192	36.99	7,102.08	11	Serv-Sav Rectangle 33cup	3,299	7.19	23,719.81
12	Mlt Replace Glass Carafe 10cup	870	7.99	6,951.30	12	Drawer Organizer 9x3 Almd	18,696	1.19	22,248.24
13	Mlt Basket Filter F/Drip 100ct	5,544	1.19	6,597.36	13	Drawer Organizer 15x6 Almd	10,548	2.09	22,045.32
14	Mlt Cone 1cup W/Ceramic Mug	993	5.99	5,948.07	14	R/Neck Tote 16gal Sltblue	1,220	17.69	21,581.80
15	Dsgn Imgs 20pc Set Queen Lace	124	46.99	5,826.76	15	Drain Tray 15x20 Slateblue	3,984	5.39	21,473.76

Source: Bacar Inc., distributor, San Jose, Calif., for the third quarter of 1986, covering about 600 stores, two-thirds of which are mass merchandisers.



When you use Wedge-Lock® shelving from Republic to solve your soft and hard goods storage problems, you'll get more features than you'd expect.

Consider flexibility, for instance. Wedge-Lock® goes where you want because it can be used from all four sides. And if you'll be adding more units; no problem. Wedge-Lock's® modular design makes it easy.

And capacity. Wedge-Lock® handles it all. Bulky loads, heavy loads, small loads, light loads. You name it.

Now how about assembly? Here's a real secret: Wedge-Lock® assembles easily-without nuts and bolts! Put it up, take it down, move it around. Wedge-Lock® makes it simple.

And finally, appearance. Wedge-Lock's® clean, attractive lines and appealing colors mean your storage display system doesn't have to hide in the stockroom anymore.

Now here's the best part. You can have all these great advantages at a very sensible price.

And that's quite a deal.

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Republic Storage Systems Company, Inc.

Pennzoil 5W-30

NOW SAVE 24¢ A GALLON OFF-INVOICE!

In early 1986, Pennzoil promoted the factory recommendation of 5W-30 motor oil for American-made 4-cylinder and small 6-cylinder engines.

Our promotion stirred up some really heavy traffic—and some really high profits for retailers!

NOW, MAJOR FOREIGN CAR MANUFACTURERS ARE RECOMMENDING 5W-30 FOR THEIR NEW CARS!

And when we kick off 1987 with our new 5W-30 promotion, Pennzoil Motor Oil will be HOTTER THAN EVER!

When you sign up, you'll be turning some big profits! Because you'll pick up 24¢ a gallon off-invoice, on top of the sensational support Pennzoil will provide during the promotion!

Just remember this little number—5W-30—and start making faster turns—And Bigger Profits!!

PICK UP 24¢ A GALLON OFF-INVOICE WITH ONE TIME BUY OF QUART CASES OF 5W-30!

- 12¢ PER GALLON OFF-INVOICE STOCKING ALLOWANCE (with a minimum 2 week in-store, off-shelf display) for all existing and new customers.
- PLUS: AN ADDITIONAL 12¢ PER GALLON OFF-INVOICE (when 5W-30 is advertised by price and displayed).

THAT'S A TOTAL OF 24¢ A GALLON OFF-INVOICE!

- RETAILER ADVERTISING PERIOD: November 15, 1986–February 28, 1987.
- BUY-IN TIME PERIOD: 14 days prior to ad date.
- RESTOCKING: Only available to those retailers that advertise. 100% of original order may be reordered within 7 days of ad date of sale and display, at 24¢ per gallon off-invoice.
- CONSUMER MEDIA ADVERTISING PERIOD: January 5–February 22, 1987.
- P.O.P. SUPPORT: Full P.O.P. support available from your Pennzoil representative.
- ADVERTISING SUPPORT: TV, radio, magazine, and newspaper ads will carry the message to ensure consumer awareness of the factory-recommended 5W-30 and 10W-30 grades.
- OFF-INVOICE FUNDS: Funds apply to purchases direct from Pennzoil—or where offered by suppliers other than Pennzoil.
- CO-OP FUNDS: Pennzoil will co-op up to 100% of your net advertising cost as specified in the current Retail Co-op Advertising Program.

The Standard of Protection Since 1889.℠

What little number can turn big profits for you this winter?

The purchases made in the light truck line primarily are cosmetic goods. Shoppers aren't buying fuel additives, oils and polishes as much as they're taking home running boards and deflector shields.

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light truck line primarily are cosmetic goods. Shoppers aren't buying fuel additives, oils and polishes as much as they're taking home running boards and deflector shields.

The deflector shield (a deflector shield is made of plexiglass and deflects insects and debris from the windshield) has lured several manufacturers into the business. Until recently, there had only been one deflector maker.

While the deflector shield does have its practical aspects, I believe the fad appeal is driving sales.

The same is true of running boards. While running boards make getting into and out of the light truck easier, most owners simply like the look.

In line with the trend in light trucks, overall auto parts and accessories sales have been moving away from chemicals and polishes and toward gadgets to dress up autos.

One reason is that more young people can afford cars these days, especially with all the special financing deals available, and these new vehicles don't yet require as much in the way of internal maintenance.

Moreover, wax and polish sales have been depressed for the past three or four years, although for quite a different reason.

Over the past three or four

(Continued on page 51)

Imports and light truck accessories continue to be the major factors affecting our business for the good, while acquisitions of smaller mass merchandisers by larger companies has had its negative effects.

I expect 1987 to be an outstanding year for light truck accessories because pick-up trucks, jeeps, vans essentially have become a new type of status vehicle.

A lot of young married couples and single people on the move to and from college want a vehicle that's more spacious than a car, has four-wheel drive and keeps up with the Joneses'.

A few years ago, a housewife wouldn't consider buying a Bronco or a Cherokee, but now it's a different story.

The purchases made in the

By HERB RECHTER
President, Allied Auto Parts and Auto Accessories

Imports, Light Truck Accessories Are Best Automotives Prospects

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
AUTOMOTIVES				
1	Ford Fila Motorcraft Oil Filter	45,164	2.99	135,040
2	Napic 6052 Sealed Beam, Large Square	13,350	7.99	106,666
3	Armor 8oz Armor All Protector	33,836	2.99	101,169
4	Ulwh 1157 Auto Bulbs 2 On A Card	112,414	0.89	100,048
5	Turtl Super Hrd Shell Paste 14oz	19,605	4.99	97,828
6	Armor 16oz Armor All Protector	15,478	6.19	95,808
7	Cstrl Gtx 20W50 Qt Motor Oil	61,483	1.47	90,476
8	AC Del R45TS-8B AC Spark Plugs	9,325	9.69	90,359
9	Gmout 7450 Jet Spray 13oz	42,913	1.99	85,396
10	Igloo 1001 Freon 14oz	66,077	1.29	85,239
11	Texco Havoline Motor Oil 10W40 Qts	68,254	1.18	80,391
12	Swiss 3431 Snowhite Lit 'N' Easy Gal	7,847	9.99	78,391
13	Quaker State Deluxe 10W40	56,160	1.24	69,373
14	Quaker State Sup Blnd 10W30	58,992	1.54	68,082
15	Borden Reinforce Paste (Appl Pk) 14oz	9,656	6.99	67,495
16	Ulwh Quartz Halg Fog Light Kit Amb	2,216	29.99	66,457
17	AC Del PF-47 AC Oil Filters	18,972	3.49	66,212
18	Napic H6054 Halogen Seal Beam, Lg Sq	4,037	15.99	64,551
19	Ford E43Z-12A297A DY425 Module	922	68.82	63,452
20	Napic 4652 Sealed Beam, Low Square	12,551	4.99	62,629
20	Napic 4652 Sealed Beam, Low Square	12,551	4.99	62,629
21	Gmout 7518 Carb Clean 12oz	35,559	1.69	60,094
22	Madco Window Film Kit, Smoke 20"x10'	6,295	8.99	56,592
23	Warco 1002 Dot Brake Fluid Qt	14,516	3.89	56,467
24	Raidsp Gunk Engine-Brite Aero 20oz	31,088	1.79	55,647
25	Napic 6014 Sealed Beam, Large Round	18,224	2.99	54,489
26	Ulwh 2 Ton Mini Hydraulic Floor Jck	1,196	44.99	53,808
27	STP Oil Treatment 15oz	31,752	1.69	53,660
28	Ulwh 15" Wire Wheel Cover Ea	2,732	18.99	51,880
29	Champ RV15YC4BP8 (RBL15Y4) Champ Plg	5,354	9.69	51,880
30	AC Del PF-25 AC Oil Filters	14,844	3.49	51,805
31	Uncrb Prestone Super Flush 22oz	17,155	2.99	51,293
32	Uncrb Pres Heavy Duty Brake Fld 12oz	25,560	1.99	50,864
33	Ulwh Quartz Hal Driv Light Kit Clr	1,658	29.99	49,723
34	WD-40 Aerosol 9oz	24,751	1.99	49,254
35	Pnzol Multi-Vis 10W40	37,524	1.28	47,832
36	Cstrl Gtx 10W40 Qt Motor Oil	33,336	1.43	47,687
37	Bordn Reinforce Liquid (Apl Pk) 16oz	6,812	6.99	47,615
38	Inter Air Cond Recharge Kit W/Freon	6,734	6.89	46,397
39	Thrsh 490 Turbo Muffler	3,294	13.99	46,083
40	Ulwh 194 Auto Bulbs 2 On Card	35,538	1.29	45,844

Imports, Light Truck Accessories Are Best Automotives Prospects

(Continued from page 47)

years manufacturers have come out with so many new formulas that shoppers bought another product with each introduction.

As a result, the car owner has developed a storehouse of waxes and polishes and has decided to deplete current supplies before purchasing any more.

We definitely want to increase the number of imported products we offer, in spite of the current exchange rate with Taiwan which has slipped to 36NPs to the dollar, as opposed to the long-standing 40NPs per dollar.

While American-made merchandise is more often than not superior to the imported auto parts and accessories, a lot of the customers who shop our clients' stores don't want to make the kind of investment expensive U.S. products require. There are a lot of backyard mechanics who want basics without spending an arm and a leg.

Some of the strongest import movers for us are hydraulic jacks, car and truck mirrors, wheel covers, antennas, air compressors and car covers. These are fairly high-ticket items. Made in America, such auto accessories cost from 25% to 30% more than the same items made abroad.

In the spring, I'll be going to the Orient in search of other imports to add to the lines we distribute but only those items that we can provide for 25% to 30% less than domestically made counterparts.

Right now, about 10% of the automotives we stock are imports, or double the amount we had a year ago. Next year, this figure will increase again, probably by a few more percentage points.

As far as the do-it-yourselfer (DIY) is concerned, business is getting hard to predict.

If you've looked under the hood of a new car recently you'll probably see a lot of equipment that wasn't there five or 10 years ago.

The new parts, including on- board computers, have put car maintenance outside the capabilities of people who once felt confident working under the hood.

At the same time, the pool of people who generally comprise the DIY auto market—usually men between the ages of 18 and 35—is rising.

The net result is anybody's guess, but I suspect we'll see the DIY business edging up.

Allied's business has been rocky lately as more of the companies we work with—almost all mass merchandisers—are acquired by larger chains.

The larger discounters generally don't need a distributor, as in the case of G. C. Murphy and Ames.

We're constantly doing battle against direct buying.

To help capture some smaller accounts, we'll conduct our first regional show in January called, Romancing the Chrome, and I expect 120 to 130 manufacturers to attend.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVES			
41	Warco 1001 Dot Brake Fluid 12oz	29,036	1.49	43,263
42	Uitwh Antenna Sprng W/Booster 45"	4,700	8.99	42,253
43	Bluec Westl Bleche-Wite-Liquid 20oz	22,347	1.89	42,235
44	Bars C-16 Leak 12oz (80)	16,788	2.49	41,802
45	AC Del PF-35 AC Oil Filters	11,928	3.49	41,628
46	Armor 4oz Armor All Protector	27,719	1.49	41,301
47	Pylon 1026 16" Wiper Refills	21,639	1.89	40,897
48	Sctre Chamois 2½ Sq Ft	6,799	5.99	40,726
49	Texco Multi-Service Grease 14oz	28,943	1.39	40,230
50	Spdcl B101BP Top Post Hd Term 1/CD	33,587	1.19	39,968
51	Pnzol Multi-Vis 10W30	34,224	1.16	39,737
52	Pylon 1028 18" Wiper Refills	20,858	1.89	39,421
53	LF-1 FDI Lee Oil Filter	12,984	2.99	38,822
54	Uitwh 1156 Auto Bulbs 2 On Card	29,871	1.29	38,533
55	Ford FL400A Motorcraft Oil Filter	9,648	3.99	38,495
56	Champ RM12YCBP4 Champ Plg	7,697	4.99	38,408
57	Octan 104 Noody 12oz	7,068	5.39	38,096
58	Shalr 1000R Rislone Oil Alloy 32oz	13,514	2.79	37,704
59	Locti Duro Rear View Mirror Adhesive	18,946	1.99	37,702
60	TMP Sandable Primer Grey	18,629	1.99	37,071
61	Thrsh 491 Turbo Muffler	2,616	13.99	36,597
62	Swiss 3305 Snowite Lite-N-Ez Qt Kit	7,310	4.99	36,476
63	Dblnt Dl Hand Cleaner Blu Label 14oz	27,994	1.29	36,112
64	Truct 3000 Lb Jack Stand, Each	7,228	4.99	36,067
65	AC Del PF-51 AC Oil Filters	10,296	3.49	35,933
66	Uitwh Rear Window Brake Light W/Modu	2,902	11.99	34,794
67	Uitwh S660 2½" FAce Tachometer	1,438	23.99	34,497
68	TMP Instant Spare Tire Inflator 12	21,293	1.59	33,855
69	Stwrt CD-2 Oil Detergent Black Label	14,138	2.39	33,789
70	LF-40 FDI Lee Oil Filter	11,124	2.99	33,260
71	Uitwh S680 3½" Face Tachom4-6-8 Cyl	1,232	26.99	33,251
72	Naplc H4656 Halogen Seal Beam, Lq Sq	3,655	8.99	32,858
73	Snap Fix-A-Flat 12oz	20,554	1.59	32,680
74	Lubmt Midget Grease Gun Kit	4,074	7.99	32,551
75	Truct One Piece Auto Ramp, Pair	1,809	17.99	32,543
76	Uitwh 1157NA Auto Bulbs 2 On A Card	20,417	1.59	32,463
77	Lubmt Multi Service Grease 3/Tube 3oz	12,501	2.59	32,377
78	Jwax Kit Paste Car Wax 12oz	8,047	3.99	32,107
79	Rberk 18" Wiper Blade Refill	14,598	2.19	31,969
80	Rberk 16" Wiper Blade Refill	14,588	2.19	31,947
81	Sctre Holland Chamois 4½ Sq Ft	3,134	9.99	31,308
82	Rubqn Promo Carpet Mat 4pc Set Blue	2,071	14.99	31,044
83	Madco Window Film Kit, Smoke 20"x5'	6,416	4.79	30,732
84	Ford Motorcraft Battery BX-58B	442	68.79	30,405
85	Uitwh 14" Wire Wheel Cover Ea	3,036	9.99	30,329
86	Uncrb Prestone Super Sealer 14.5oz	10,084	2.99	30,151
87	Prfct Muffler Clamp Boxed 2"	43,616	0.69	30,095
88	Uitwh 13" Wire Wheel Cover Ea	1,579	18.99	29,985
89	AC Del R44T-8B AC Spark Plugs	3,058	9.69	29,632
90	AC Del PF-45 AC Oil Filters	8,460	3.49	29,525
91	Buss ATC 20 Amp Plug-In Fuse 4 Cd	17,188	1.69	29,047
92	Univr 20" Wheel Wrench	5,811	4.99	28,996
93	Uncrb Pres Heavy Duty Brake Fld 32oz	5,784	4.99	28,862
94	Sun Suntune Oil/Temp/Amp/Gauge	1,029	27.99	28,801
95	Desa 50,000 Btu Reddy Heater	125	229.95	28,743
96	Rubqn Escort Carpet Twin Front Gray	1,371	20.89	28,640
97	16oz TMP Heavy Duty Instant Spare W/Hse	12,450	2.29	28,510
98	Rberk 16" Wiper Blades	12,845	2.19	28,130
99	TMP Aerosol Undercoating 16oz	14,108	1.99	28,074
100	Uitwh Hi-Intnsty Fog Light Kit Amber	2,160	12.99	28,058
101	Champ RV15YCBP8 (RBL15Y) Champ Plg	2,891	9.69	28,013
102	Rubqn Promo Carpet Mat 4pc Set Red	1,862	14.99	27,911
103	Prfct Muffler Clamp Boxed 2¼"	40,433	0.69	27,898
104	Pnzol Z-7 30W	25,296	1.10	27,735
105	AC Del R45TSX-8B AC Spark Plugs	2,849	9.69	27,606
106	Bars R-6 Leaks 5½oz (175)	16,333	1.69	27,602
107	Champ N12YCBP8 Champ Plg	3,066	8.99	27,563
108	Uncrb Prestone Super Rad Cleaner 1 L	4,072	6.69	27,241
109	Prfct Muffler Clamp Boxed 2½"	39,349	0.69	27,150
110	LF-1HP FDI Lee Maxi Oil Filter	5,517	4.89	26,978
	AUTOMOTIVES			
111	Thrsh 492 Turbo Muffler	1,927	13.99	26,958
112	Rberk 18" Wiper Blades	12,299	2.19	26,934
113	Uitwh Antenna Sprng Type 3 Sect 53"	3,363	7.99	26,870
114	Ford E3FZ-12A297B DY384 Module	396	67.48	26,722
115	Stwrt CD-2 Oil Treatment Red Label	11,140	2.39	26,624
116	Ideal Carded Hose Clamps 4 Per Card	15,707	1.69	26,544
117	Yale Power STrg Fluid 14oz	13,321	1.99	26,508
118	Deflc Deflecta-Shield Large Smoke	659	39.99	26,353
119	Bordn #7 Rubbing Compound 10oz	13,240	1.99	26,347
120	Turtl Bug/Tar Remover Liquid 16oz	12,022	2.19	26,328
121	Ford E43Z-9F479B DY430A Module	607	43.22	26,236
122	Uitwh Lo Mount Trk Mirror Chrome 785	1,871	13.99	26,175
123	Sun Tachometer Super Tach II	523	49.99	26,144
124	Atune Booster Cable Sleeved 12' 10G	3,467	7.49	25,967
125	Buss 5pc Plug-In Fuse Kit	15,354	1.69	25,948
126	Champ RV17YC6BP8 (RBL17Y6) Champ Plg	2,674	9.69	25,911
127	Uitwh 1000 Mini Triple Gauge Kit	1,722	14.99	25,812
128	Uitwh Qrtz Fog Lite Blk Fbrgls Cs Am	714	35.99	25,696
129	Schum SE86 6amp Battery Charger	852	29.99	25,551
130	LF-40HP FDI Lee Maxi Oil Filter	5,215	4.89	25,501
131	Schum SE1010 10amp Battery Charger	637	39.99	25,473
132	Sctre Chamois 4½ Sq Ft	2,539	9.99	25,364
133	Uitwh Air Compressor W/Gauge	1,266	19.99	25,307
134	Prfct Universal Tailpipe Hanger	21,190	1.19	25,216
135	Presl Large Grease Gun, Lever Action	3,541	6.99	24,751

Source: Allied Accessories and Auto Parts, Madison Heights, Mich., for July to September 1986. The company services more than 2,500 U.S. retailers, mostly discounters. Total $ movement was rounded to the nearest dollar.

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Highland Superstores to Enter Three New Markets Next Year

TAYLOR, Mich. — Highland Superstores has turned up the volume on its expansion and will enter three new markets next year, Milwaukee, Minneapolis-St. Paul and the Greater Boston area.

The 11 to 13 Highland Superstores projected for the three markets are among the 16 to 20 units to be opened next year. The remaining stores will go into two current markets, one in Detroit and six to eight in Chicago.

This year, Highland entered two markets, Houston and Shreveport, La., and opened 13 stores to reach a total of 53.

To support this growth, the $520.5 million consumer electronics/major appliance retailer in the spring '87 will move its headquarters from a complex of office buildings and a warehouse here totaling about 250,000-sq.-ft. to a 535,000-sq.-ft. office and warehouse center in Plymouth, Mich.

In a separate move, the electronic specialty retailer has expanded its staff by creating two new posts—vice president-special projects and director-special events.

Harry Limauro was appointed vp-special projects and William O'Brien was named as his successor as vice president-operations. Edwin Rossman was designated director-special events and Frank Ferriolo was named his successor as director of advertising and marketing.

Limauro will oversee Highland's move to its new Plymouth headquarters. Rossman will be responsibe for such special events as the chain's electronics show.

The company expects to fund its expansion through the private placement of $44 million worth of 10-year senior notes that would carry a weighted average interest rate of 9.6%.

Highland sales in the half year rose 40.6% to $281.7 million from $200.4 million, while net earnings increased 5.5% to $8.5 million from $7.8 million. In the three month period, volume went up 39.9% to $147.7 million from $105.6 million, while net income increased 8.9% to $4.9 million from $4.5 million.

The company attributed the small gain in earnings to high advertising and promotional costs related to "expansion in the Chicago market and entrance into Houston during the first quarter.

"Sales in the Texas market continue to suffer due to the adverse economic conditions in that area." The poor outlook for the oil and energy business, as exemplified by the weak sales in the company's Southwest Division(Texas), has resulted in Highland's curtailing its expansion.

The company entered Houston by opening six stores and opened one in Shreveport. It doesn't plan any new stores in 1987 for these two cities or Austin, San Antonio and Dallas-Fort Worth which make up the Southwest Division.

While Highland has put growth in its Southwest Division on hold, it was going ahead with expansion in its two other regions.

The Central Division could gain 13 to 16 stores next year as the company enters Milwaukee with three stores and makes its debut in Minneapolis-St. Paul with four or five unit, as well as adding six to eight more in Chicago. Two stores were opened in Chicago this year, giving the Windy City eight Highlands.

Chicago is the hub of the Central Division, which has regional offices and a ware-

(Continued on page 62)

Report: Home Video Products Sales Gain

WASHINGTON, D.C. — Home video products, spurred by camcorders, continued to post impressive sales gains through September, reported the Electronic Industries Association (EIA).

Among the highlights of the EIA report were:

- Videocassette recorders (VCRs) registered a 20 percent sales gain in September compared to same period last year;
- Camcorders again were a growth item as sales jumped 97 percent in September over last year. During the first nine months of 1986, camcorders posted a 254% increase over the same period last year;
- Color TVs posted a 6.5% sales gain in September. The EIA predicted that the flagship product is headed for its best year ever with sales for 1986 totaling 17.9 million units;
- Black and white TVs experienced a 20% increase in September. The EIA attributes the sales increase to palm-size and other portable models.

Total U.S. Market Statistics
Sales to Retailers
September 1986 vs. September 1985

In Units	1986	1985	Percent Change	Year-to-date 1986	Year-to-date 1985	Percent Change
TELEVISION						
Color	1,978,900	1,857,950	+ 6.5	12,732,185	12,004,415	+ 6.1
Monochrome	463,657	384,837	+20.5	2,787,241	2,520,005	+ 10.6
TOTAL TV*	2,442,557	2,242,787	+ 8.9	15,519,426	14,524,420	+ 6.9
Projection TV	39,918	30,102	+32.6	208,070	167,657	+ 24.1
Home VCR	1,430,125	1,193,505	+19.8	8,860,192	7,733,953	+ 14.6
Camcorders**	123,068	62,500	+96.9	696,835	196,693	+254.3

Information obtained in this release reflects total market statistics for products produced and/or sold in the United States regardless of the brand name or country of origin.
*Excludes projection television
**Included in Home VCR.

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 25, NO. 23 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | November 24, 1986

Shop Television Network host Pat Boone (c) and co-host Dr. Ronald Lawrence discuss an item being shown on The Better Shopping Show's Better Health & Fitness segment.

New TV Retailing Show Stars Celebrity Hosts

By ARTHUR MARKOWITZ

LOS ANGELES — Shop Television Network (STN) has launched a new discount merchandising format that features two innovations in the fast changing teleshopping field:

- The prerecorded teleshopping program integrates merchandising and entertainment so that a number of related products are marketed together by Pat Boone and celebrity co-hosts and guests in segments of 15 minutes.
- The merchandise for the most part is current goods or new products that STN is among the first to offer, rather than the extensive closeouts marketed by other programs.

STN president Michael Rosen said teleshopping programs "have to be network quality in their production and presentation if they are to draw viewers from regular TV shows.

(Continued on page 38)

Designer Depot Failure Shows Off-Price Shakeout Continues

By KAREN PAXTON

TROY, Mich. — K mart's plans to close its 79-unit Designer Depot off-price apparel chain signals that the shakeout among off-price apparel chains continues.

Industry sources said they had expected the announcement and also predicted that a few chains that lack the deep pockets of a large parent company to eventually fall by the wayside.

K mart's recently announced streamlining also included the sale of its profitable food operations, Furr's Cafeterias and Bishop Buffets, to Calvalcade Holdings for $237.5 million. K mart said it will use the proceeds to redeem some high-cost, long-term debt.

(Continued on page 4)

K mart's four-year-old Designer Depot off-price apparel division will be phased out by the end of next January. The 79-unit chain is the latest in a long list of failed off-price ventures.

Housewares Show Their True Colors

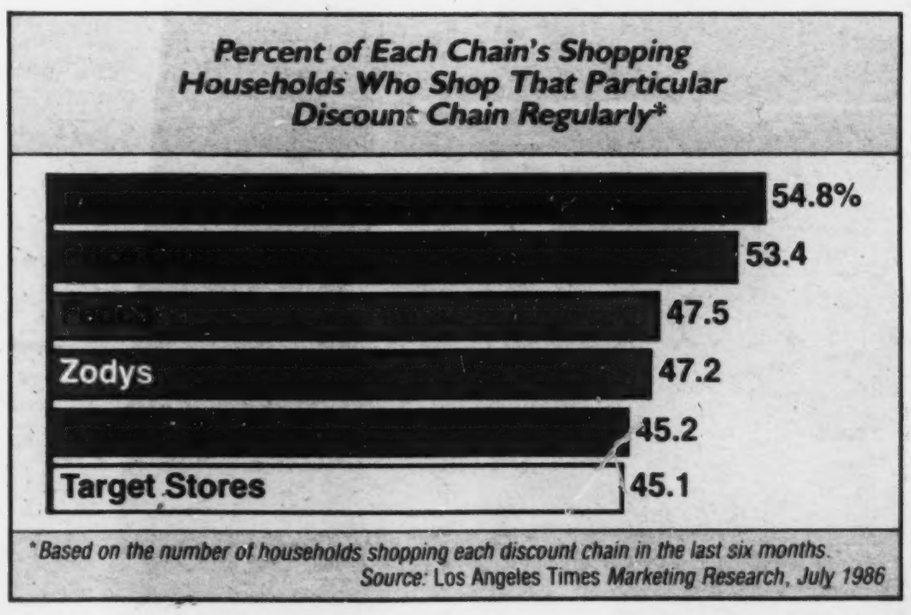
CHICAGO — New colors on old signs failed to catch the eye of most buyers at the National Housewares Manufacturers Association show—but new colors on old products did.

Despite all the hoopla over a new color-coded show format, buyers came away unimpressed because they found they had to do more footwork at the show, rather than less.

The color coded aisles and merchandise classification system—intended to help get buyers off their feet by condensing the area they covered—worked worse than expected. The color coding was indistinctive and the classifications were, for the most part, too loose.

Also new at this show was a new products wing carved out of the lower level of the west building. While most buyers liked being able to see new products in one place, sepa-

(Continued on page 38)
(See show photos on page 4)


Percent of Each Chain's Shopping Households Who Shop That Particular Discount Chain Regularly*
54.8%
53.4
47.5
Zodys
47.2
45.2
Target Stores
45.1
*Based on the number of households shopping each discount chain in the last six months.
Source: Los Angeles Times Marketing Research, July 1986

Enters Philadelphia Market

Net Cost Club Joins Warehouse Fray

MONTGOMERYVILLE, Pa. — Net Cost Club (NCC) has become the newest company to enter the burgeoning membership warehouse field by opening here a store with 89,000 sq. ft. of selling space.

It's the first of four units planned for the Greater Philadelphia-Wilmington, Del., market, now the fifth largest in the nation. NCC's entry into the area could turn what had been an untapped market into a battleground for membership warehouse chains.

NCC has developed merchandising, operating and marketing features different from other membership warehouses. These include capturing UPC codes to reduce operating costs, stocking an extensive selection of truck tires, holding tri-annual auctions of goods that sell poorly and providing a number of free community services.

Competition for NCC, a privately held company, in the Greater Philadelphia market includes BJ's, which has a unit in Cherry Hill, N.J., and plans another in North Brunswick, N.J., and the Price Club, which may open stores there in 1987. Makro, a specialty membership warehouse open only to businesses, has one store in Langehorne, Pa., northeast of Philadelphia.

The trio of projected NCC outlets includes two industrial buildings to be recycled. One

(Continued on page 37)

LA Chains Scrap for Share Of Ex-Gemco Customers

LOS ANGELES — If you were a Gemco customer in this market, where will *you* shop this time next year?

The turbulent southern California market, burial ground for White Front Stores, Fed-Mart and Zodys, once again has become a discounter graveyard.

And once again the chains left behind are attempting to lure customers of the deceased and increase their market share.

While the greater Los Angeles market remains in flux, K mart, Target and FEDCO are among the discount retail

(Continued on page 38)

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Space Age Toys Power Holiday Sales —page 16

DSN Names DISC Award Winner —page 6

The Dry Goods Units Undergo Crash Revamp

ASTON, Pa. — The investor group that acquired in August The Dry Goods Inc., family apparel and soft homes chain from SCOA Inc. has completed a crash renovation of its seven stores.

Richard Kestenbaum, president, and George Nadel, chief executive officer, both formerly with Cohoes Specialty Stores, estimated the cost at "several million dollars." The renovation work was done while the stores were open and units closed only on the first Monday of November, followed by a grand reopening on Election Day.

Nearly half a million square feet of retailing space was redone, using 12-ft.-high steel shelving in place of walls. Stores were decorated in designer gray, mauve and black with red tile, with new fixtures and signs to create a more contemporary buying atmosphere.

A new IBM 4680 electronic cash register system, reportedly the first operational installation of its kind, was installed to speed checkout.

Dry Goods operates seven department stores, two in Philadelphia, three in Delaware and two in New Jersey. All but the most modern store, opened by SCOA in March, 1985, were renovated.

Ames Adopts Poison Pill Anti-Takeover Defense

ROCKY HILL, Conn. — Ames Department Stores is offering shareholders the right to purchase preferred stock as a defense against "coercive or unfair takeover tactics."

Ames will offer investors the right to buy one share of newly issued preferred stock at $100 a share for each one hundred shares held as of Oct. 31. The rights, which expire Oct. 31, 1996, will be usable only if a person or group acquires ownership of 20% or more of the common shares or announces a tender or exchange offer aimed at acquiring 30% of Ames common.

Listed on the New York Stock Exchange, Ames has traded between $19 and $34 over the past year and was selling at $24 at press time.

Herbert Gilman, chairman and ceo of Ames, said "the plan is intended to protect the interests of shareholders in the event the company is confronted with coercive or unfair takover tactics." Gilman told shareholders that similar plans have been adopted by more than 300 companies.

Ames operates 315 discount department stores and 143 variety stores in 20 east coast and midwest states.

By year's end, Ames will have opened 17 new stores and expects to add 25 to 30 more in 1987.

The company reported sales of $1.1 billion for the 35-week period ended September 27, a gain of 36% from sales of $840 million for the 1985 period.

Senators Urge Japanese to Delay Digital Auto Tape Recorder Imports

WASHINGTON — Several key Senate lawmakers are warning Japanese consumer electronics manufacturers to delay introducing new digital audio tape (DAT) recorders in United States retail outlets until Congress passes anti-piracy legislation.

Leading the Congressional crusade against the new state-of-the art machines, Senator John Danforth (R-Mo.) cautioned that the U.S. does not "intend to stand by and watch helplessly as its music community is decimated" by DATs.

The DAT recorders being readied for introduction in the U.S. market this fall will be capable of making "perfect" copies of prerecorded music.

Danforth has vowed to push for legislation when Congress reconvenes, mandating anti-piracy circuitry in these machines to prevent home-tapers from violating the rights of copyright holders.

Some industry officials fear that the as-yet undetermined costs of adding special circuitry could be enough to dampen consumer demand for DAT recorders.

Meanwhile, Danforth urged foreign DAT makers to "voluntarily" agree to insert copy-coder chips in their machines if shipped to the U.S. prior to passage of the anti-piracy bill.

Backing Danforth, Sen. Pete Wilson (R-Calif.) said "after all, it is in the best interest of the electronics manufacturers, who likewise depend on intellectual property protection to preserve the benefits of their own technological creativity, to uphold the values and respect the rights of intellectual property."

Noting that other countries are worried about DAT imports, Wilson said that the European Economic Community already told Japanese trade ministers that all DAT imports likely will have to have anti-piracy circuitry.

TV Shopping Begins in San Diego

EL CAJON, Calif. — America's Shopping Channel (ASC) has moved its headquarters here as part of the launching of a teleshopping program on the Cox Cable TV system in San Diego.

ASC's 30,000-sq.-ft. headquarters also contain the production studio for its local teleshopping service on the San Diego cable TV system, which is the largest in the nation.

ASC also runs local TV shopping programs in New Orleans and Tulsa, Okla., and is set to begin teleshopping service early next year in Tidewater, Va.

Both the San Diego and New Orleans cable TV systems are owned by Cox Cable Communications, the fifth largest cable TV operator. The arrangement has led to trade speculation that Cox and ASC eventually may develop a teleshopping service for all the Cox-owned systems. Cox hasn't joined another shopping network.

ASC reaches 270,000 subscribers on the Cox cable TV system in San Diego, along with about 300,000 viewers on the New Orleans and Tulsa systems. The Tidewater market will add 134,000 more subscribers.

As a 24-hour local or "stand-alone" teleshopping service, ASC airs a locally produced program in each market, rather than broadcasting a national merchandising show. Customers obtain their merchandise from a local pick-up center. There are five in San Diego, four in New Orleans and three in Tulsa.

In order to compete with the national teleshopping companies, ASC pays one of the higher fees to cable systems carrying its program. Alan Berlin, vice president, said the fee is 7%. That compares with the usual 5%.

The teleshopping service's local orientation includes purchasing about 20% of its merchandise locally, with the remainder bought nationally. Much of the local items are goods that have great appeal in the market, such as merchandise with the logo of a local school or team, he said.

When it entered the San Diego market, ASC opened pickup centers at five locations: Chula Vista, National City, La Mesa, El Cajon and San Diego.

QUIZ

The DSN Quiz, testing your knowledge of news and trends in discount retailing covered in our previous two issues, appears on this page monthly. Check your answers with the key on page 37.

1. Crazy Eddie was the first traditional retailer to:
a) offer a TV merchandising program;
b) expand beyond current operating radius;
c) run the most advertising.

2. This man was named the new chairman and chief executive officer of F. W. Woolworth Co. Who is he?
a) Fred E. Hennig;
b) Harold E. Sells;
c) John W. Lynn.

3. In an effort to turn around sales, Indianapolis-based Danners initiated which of the following steps in its new merchandising strategy?
a) everyday low pricing;
b) reduction of overall advertising expenses;
c) decrease in number of circulars;
d) all of the above.

4. To increase its list of membership benefits, electronic retailer Comp-U-Card has introduced two additional services. What are they?
a) legal service and insurance;
b) insurance and an increase in monetary limits;
c) credit card protection and legal service.

5. How many new units did Kids Mart, which currently operates 270 stores, project having in the next five years?
a) 350;
b) 450;
c) 800.

6. According to a recent study, what area in housewares is projected to have the largest growth by 1990?
a) gourmet cookware;
b) china;
c) small appliances.

7. What discounter has acquired a new parent company, a new chairman and a new set of merchandising and performance directives?
a) Bradlees;
b) Caldor;
c) K Mart.

8. As a prelude to a full scale thrust of hypermarkets into the U.S., French-based international retailer Carrefour will test single units in which of the following markets?
a) Philadelphia and metro New York;
b) Chicago and metro New York;
c) Los Angeles and metro New York.

9. Launched by closeouter Consolidated Stores Corp. and Shopping Channels Inc., what was the name of the first teleshopping program aired exclusively on commercial UHF & VHF stations?
a) Shopping Program;
b) Shopping Channel;
c) Shopping Line.

10. What was Target's projected growth for 1991 in terms of total stores?
a) 323;
b) 410;
c) 482.

TV Retailers Push Apparel

Television home shopping services are featuring new competitive gimmicks to fight for the off-price apparel business. Shop Television Network, for example, uses celebrities Pat Boone and Beverly Sassoon to pitch its sales. At least three other teleshopping outfits and one off-price chain are selling discounted clothing on TV. See story page 13.

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Rapid Teleshopping Growth Spurs Major Restructuring at C.O.M.B.

MINNEAPOLIS — The rapid growth of Cable Value Network (CVN), a teleshopping service, has triggered a major restructuring of one of its parents, C.O.M.B. Inc., a closeout specialist.

And in another development, the second parent, a consortium of cable TV operators, added an 18th member, Viacom Cablevision, which leased to CVN satellite facilities that permit 24-hour broadcasting.

C.O.M.B., which owns 50% of CVN, restructured its operations to focus its future growth on its direct marketing business and its teleshopping interest.

C.O.M.B. chairman Ted Deikel said, "Our resources as a company will be directed toward supporting these two divisions." Some company buyers buy only for CVN, which uses a number of C.O.M.B. services and facilities.

Deikel said CVN, exclusively a cable TV teleshopping service, is "running several months ahead of its initial projections." It began broadcasting in April "and was to remain in a start-up mode until January 1987. Instead, CVN began 24-hour national cablecasting in September," one of only two companies to broadcast around the clock.

CVN was launched with an initial capital contribution of $1 million, half put up by C.O.M.B. and the rest by a number of multi-system cable TV operators (MSO).

The MSO consortium that owns the remaining CVN equity was completed when Viacom Cablevision joined the group as the 18th member. The consortium, which includes 14 of the top 20 cable system operators in the country, reaches a total of about 18.6 million subscribers.

Viacom, a division of Viacom International Inc., an entertainment conglomerate, also has leased transponder 12 on the Satcom IIIR satellite to CVN for its 24-hour-a-day broadcasts to replace the limited time available on a transponder leased from Turner Broadcasting Co. Viacom owns a number of other transponders that it uses to air such cable TV fare as Showtime, MTV, the Movie Channel and Nickelodeon.

CVN's format calls for segmented merchandising programs in which hosts present items and offer information on features of the products.

C.O.M.B.'s restructuring cost the company a one-time $4.5 million charge in the third quarter. It involved merging all the non-CVN business, the retail store, wholesale and mail order operations, into a direct marketing division, headed by George L. Walters. He became an executive vice president and president of direct marketing.

As part of the restructuring, C.O.M.B. plans to cut back the 47 stores it operates, retaining some as closeout units or "local cable shopping outlets."

(Continued on page 37)

Isaac Departs Service: No Explanation Offered

John Isaac

NASHVILLE — John Isaac has left Service Merchandise, and Raymond Zimmerman, Service chairman and president, has assumed his duties as president of the catalog showroom division.

Service management gave no reason for Isaac's departure, nor did it say whether anyone would replace him as president of the 298-unit showroom division.

Catalog showrooms once again have become the core operation of financially troubled Service following its decision to divest its $281.7 million Mr. HOW warehouse home center division by the end of the year.

The catalog operation, however, has performed poorly, due to a combination of weak sales at the Service showrooms and the high cost of converting the acquired H. J. Wilson and Ellman's units to the Service format.

Service sales for the quarter ended Sept. 30 of $479.1 million rose 4.4% from $459 million, but comparable volume at the Service showrooms (excluding former Wilson and Ellman units) dipped approximately 1%. For the first nine months of the year, sales increased 16% to $1.4 billion from $1.2 billion.

The net loss from continuing operations, which exclude the Mr. HOW operation, in the September quarter widened to $12.4 million from $12 million, while in the nine month period losses jumped five-fold to $40.9 million from $8 million in the year earlier period.

David Weis To Acquire Ohio Jewel Mart Chain

MONROEVILLE, Pa. — David Weis Jewelers & Distributors has agreed to acquire the Jewel Mart chain with four stores in Akron and Youngstown, Ohio.

The company plans to continue to run those units under the Jewel Mart banner. Its 23 David Weis jewelry stores and catalog showrooms are located in Pennsylvania, West Virginia and Ohio.

"With the acquisition of the Jewel Mart stores, David Weis may be the largest privately held catalog showroom chain in the country," said James Silberman, president of the chain.

It fits in well, added Joseph McLeish, vice president of merchandising, thanks to the similarity between our stores and the Jewel Mart stores, as well as the neighboring locations.

Discounters Take Smaller Markups As Markdowns Rise, NMRI Reports

NEW YORK — The nation's discounters took smaller markups and bigger markdowns, while their turnover rates slumped overall during the last fiscal year, according to a study by the National Mass Retailing Institute.

The turnover rate was off in all but one of the 26 categories included in the group's annual *Mass Retailers' Merchandising Report*, conducted for the NMRI by Cornell University.

The survey covered 27 self-service discount chains, operating 3,162 stores with aggregate sales of $27.1 billion.

The apparel categories, which had shown strong turnover rates in the past fiscal year, showed slower turns in all areas. Girls' wear was off by 0.66 to 4.42 turns; boys' wear down by 0.47 to 3.76 turns, and infants' wear slowed by one full turn to 4.24, against 5.32 the previous fiscal year.

In women's clothing categories from dresses through sportswear, leisure and beachwear, turns slowed perceptibly, with only the lingerie, robes and sleepwear category (off 0.07) coming close to the pace of the preceding fiscal year.

Fabrics, notions and yarns turns fell almost by half, dropping to 2.41 turns from 4.7 the preceding year. Other significant declines were reported in candy, where two full turns were lost and in sporting goods, and lawn and garden, where turns slumped by one.

(Continued on page 37)

FTC Orders Max Factor to Halt Discrimination in Its Pricing

WASHINGTON — Ignoring pleas by Federal Trade Commission chief Daniel Oliver—a vocal critic of the federal Robinson-Patman anti-price discrimination law—the FTC ordered Max Factor to stop offering discriminatory promotional allowances to large chain purchasers.

In an unusual dissenting statement, Oliver accused his fellow commissioners of "ignoring (their) obligation to act in the public interest" by insisting on an order that is certain to have "anti-competitive consequences."

"This Commission's record in enforcing the Robinson-Patman Act" has "worked staggering injury on consumers, to say nothing of small business such as Max Factor," Oliver charged.

By a vote of three to two, the commission late last month issued a consent order that forces Max Factor to make promotional allowances available on a proportionally equal basis to all retail chains that sell its cosmetics and beauty aids, as well as provide alternatives to retailers for whom its basic promotional plans are unusable.

Additionally, the Connecticut-based cosmetic company has been ordered to inform all retail customers about its promotional programs.

The Max Factor case began in 1979, when the FTC regional office in Los Angeles started a Robinson-Patman Act investigation of Max Factor's promotional allowances based upon what the company claimed were "stolen internal company documents."

After three years of investigation, the Los Angeles office and the FTC Bureau of Competition recommended closing the case. But in 1984, the commission rejected the recommendation and issued a formal complaint that the firm "discriminated against" particular retailers by not making promotional allowances available on proportionally equal terms to all of its retail customers, and "failed to offer alternative terms and conditions" to those customers unable to use basic promotional allowances.

A consent agreement was publicly announced by the commission, subject to a 60-day comment period. During the comment period, Max Factor criticized the consent order it signed, and argued that it should not be put into effect. Max Factor claimed that the underlying facts were ancient and pointed out that the company had gone through several changes in ownership and management since then.

Additionally, Max Factor said it is "today only a small and struggling factor in the intensely competitive U.S. cosmetics industry," and that the commission's order would cripple its ability to compete.

The commission's final decision in this case is an indication of where the commissioners stand on Robinson-Patman enforcement in view of the new chairman's repeated call for repeal of R-P anti-price discriminatory laws.

In his dissenting statement, Oliver questioned the commission's ruling in this case on the grounds that "the staff has uncovered no evidence that any allegedly disfavored buyer lost sales or was placed at a competitive disadvantage as a result of any conduct engaged in by Max Factor.

"By insisting on an order that is certain to have anti-competitive consequences. . . , the commission majority turns and retreats away from rational antitrust enforcement," Oliver said.

Family Dollar Plans to Add 193 Units

MATTHEWS, N.C. — Family Dollar plans to open 193 new stores during its current fiscal year, which ends Aug. 31, 1987, pushing its store count to 1,300.

All those additional stores will follow a new, soft lines-oriented format the chain started testing earlier this year.

"The more prominent and attractive display of soft lines merchandise has produced encouraging initial sales results, without changing the merchandise mix," said Lewis E. Levine, president of the chain. With stores opening every week, store count had reached 1,140 earlier this month. "Our present plan is to open all new stores with this new format and, if the sales results continue to be positive, we will consider converting all existing stores to the new format beginning in January 1987."

Same store sales in Family Dollar stores were running virtually flat during the first two months (September and October) of fiscal 1987. This continues the pattern set during fiscal 1986.

Overall sales rose 19% to $487.7 million in fiscal 1986, due in part to new store openings. Net income increased 9% to $30.5 million. The year-end results also benefited from discontinuing the company's pension plan. The company reported a gain in income before taxes of $1.8 million.

Other highlights of fiscal 1986 include the opening of 187 stores, including the first stores in Illinois, Michigan and Oklahoma, the major expansion and of its distribution center in Matthews and construction commencement of the next expansion phase of the distribution center, which will increase its area 775,000 sq. ft. by the end of the current fiscal year. Expansions were financed with internal funds; the company owes no long-term or short-term debt.

Toys

Toy Chains Rely on Space Age Items to Power Holiday Sales

Nationwide DSN Report

Toy chains hope that the traditional holiday sales surge will offset what generally has been a soft year so far for the industry.

Toys "R" Us, the sales leader, is one of the few chains to report strong figures going into the holiday season.

Many others, entering the Christmas season with flat or weak results to date, are pinning their expectations for a strong finish on the popularity of this year's space age winners, the Lazer Tag, Photon and Pfazer Force, along with old reliables, such as Barbie Doll in new dress.

Leading Toy Chains

Chain (HQ state)	Volume (in Millions) Last Fiscal Year	Volume (in Millions) Previous Fiscal Year	Units 12/86
Toys "R" Us (N.J.)	$1,976	$1,701	338
Child World (Mass.)	513	436	134
Kay Bee (Mass.)	401	347	636
Lionel Leisure (Pa.)	246	225	68
Greenman Bros. (N.Y.)**	110	48	328
K&K Toys (Va.)	37	33*	NA
Karl's Toys (Calif.)	23	18	26
Toy King/Toys & Gifts Outlets (Fla.)	18	30	56
Toys Plus (Mo.)	17	NA	34
Hobby Center (Ohio)	12	11	26

Source: DSN research

TRU Sales Increase

Toys "R" Us, based in Roselle Park, N. J., showed sales for the third quarter of fiscal 1987 at $471.4 million, up 25.3% over the $376.1 million for the third quarter of the previous year.

Over a nine month period, TRU reported $1.266 billion, 20.3% more than the $1.0952 billion in net sales in the comparable nine months of last year. Same store sales were up 8.5% in the third quarter and rose 4.5% for the first nine months.

Few other toy chain executives could be as optimistic as TRU chairman and chief executive officer Charles Lazarus. "We are continuing to increase our market share from new store openings and from good comparable store increases," Lazarus said.

While final figures weren't in at press time, Lionel Leisure vice president and sales director Joel Weiner said that "third quarter sales have gone just about as anticipated and we expect to experience small increases over last year."

Like TRU, which added 139 stores in 1986, Philadelphia-based Lionel was on the march last year, opening 11 stores as well as modernizing and expanding several others.

At Toy King in Orlando, Fla., buyer Jim Fetty reported a flat early November, however, and said the only movement was in the "trendy items, particularly those that were marked down and well promoted."

Rather than thinking about expansion, Toy King was in a holding pattern, "waiting to see what the economy does and trying to get more volume out of existing operations," Fetty said.

At upscale Hobby Center in Holland, Ohio, vp and buyer Mary Beth Benore said she is looking forward to a strong holiday and said that signs were good. "Our third quarter was slow, but business began to pick up. August, September and October were good months. The customer has been holding back, but I expect a very good final quarter."

Meanwhile, customers are showing their preferences early. *DSN*'s survey of leading toy retailers found the Lazer Tag moving out of the stores well before the start of the gift buying season. The survey also found old reliables such as the Barbie Doll, dressed up with a few new flourishes, holding strong.

On the downside, the popularity of the Cabbage Patch gang apparently is wilting. Prices have been knocked down to $15 after manufacturer's rebate in many outlets and as low as $9.99 in one case, with a $5 coupon.

After a mostly arid third quarter, toy specialty chains were hoping that the Lazer Tag and its space age followers, Photon and Pfazer Force, would lead them into greener pastures in the year-end rush. The big problem is supply. Lazer Tag, sparked by ample promotion in print and on the air waves, has been in short supply for months and the demand is beginning to resemble the Cabbage Patch craze of a few years ago.

"We're expecting tremendous results from Lazer Tag, and we only hope we can meet the demand," said Weiner of Lionel Leisure. "There are also strong indications that electronic talking dolls may be a hot category from our early reports. There may be a question of availability with some of them also."

Weiner said he has spotted a lot of activity, "possibly a resurgence in video game systems. The category could be coming back, now that we have a new generation of kids. The new Atari 2600 came out this year in a more compact size and is selling well.

The Teddy Ruxpin talking doll is strong at Lionel and other chains, with several heavily promoting the toy.

Child World, based in Avon, Mass., recently ran sharp price promotions offering Teddy Ruxpin at $49.99, a $10 savings over the chain's regular price.

But Lazer Tag is the big one. Russ Gerald, ad manager for Karl's Toys in Los Angeles, said, "It sells out before our ad runs, and it's such a hot item, we should be able to hold our price at $59.99."

Hi, I'm Abearham
Buy $50 or more in any one day, at any A&S store and you can take me and Strauss the mouse home for just
9.99 Reg. $25.
And when you get us there, have the kids check out the Abearham Bear Coloring Contest. The big prize is 3½ foot version of me—Abearham! Or pick up an entry blank in Just for Kids at your A&S. No purchase necessary.
Mail your order to: Abraham and Strauss
P.O. Box 731
Brooklyn, NY
11202
Mail and phone orders filled on $10 or more (6.50 on cosmetics)

What's hot and what's not is shown by current newspaper advertising. The 'in' toy this year is an electronic outer space set, be it Photon or Lazer Tag or Pfazer Force. Meanwhile, stores are phasing out a former doorbuster at bargain prices.

Highlights of Mass Merchandisers' Operating Results

Department	Sales % of total store 1984-85	1985-86	%-Point Change	Annual turns 1984-85	1985-86	Change	Cumulative markup (%) 1984-85	1985-86	%-Point Change	Markdown at retail (%) 1984-85	1985-86	%-Point Change	Gross margin (%) 1984-85	1985-86	%-Point Change
Women's dresses	0.92	1.03	+0.11	4.84	4.32	– 0.52	46.84	46.57	– 0.27	19.51	20.86	+1.36	36.59	34.55	– 2.04
Lingerie, robes & sleepwear	2.44	2.29	–0.15	4.48	3.78	– 0.07	44.22	44.05	– 0.17	10.30	11.83	+1.53	38.72	37.79	– 0.93
Hosiery	1.55	1.51	–0.04	4.99	4.30	– 0.69	40.54	40.64	+ 0.10	7.10	9.08	+1.98	36.39	35.42	– 0.97
Sports, leisure & beachwear	6.12	6.44	+0.32	6.24	5.61	– 0.62	46.57	44.61	– 1.96	17.09	17.41	+0.32	37.42	36.83	– 0.59
Handbags and accessories	1.46	1.36	+0.10	4.88	4.11	– 0.77	50.32	29.79	–20.53	14.33	15.22	+0.89	42.93	42.41	– 0.52
Jewelry and watches	2.20	2.16	–0.04	3.05	2.18	– 0.87	48.96	49.68	+ 0.72	15.36	18.58	+3.22	39.28	39.12	– 0.16
Men's wear	6.89	6.52	–0.37	4.53	3.87	– 0.66	42.54	41.41	– 1.13	13.71	14.93	+1.22	34.50	32.75	– 1.75
Girls' wear	2.27	2.35	+0.08	4.67	4.42	– 0.25	45.28	44.93	– 0.35	15.85	16.20	+0.35	36.66	35.28	– 1.38
Boys' wear	2.43	2.58	+0.15	4.23	3.76	– 0.47	42.57	42.68	+ 0.11	13.63	16.38	+2.75	34.52	33.25	– 1.27
Infants' wear	2.83	2.83	0.00	5.32	4.24	– 1.08	37.15	35.72	– 1.43	11.02	12.04	+1.02	30.11	27.46	– 2.65
Juvenile furniture	0.59	0.50	–0.09	3.43	3.15	– 0.28	39.77	38.12	– 1.65	13.01	12.91	–0.10	31.67	28.55	– 3.12
Shoes	3.37	3.40	+0.03	3.88	2.88	– 1.00	49.62	49.27	– 0.35	14.75	19.12	+4.37	42.45	39.51	– 2.94
Domestics	4.49	4.35	–0.14	2.75	2.65	– 0.10	39.71	39.39	– 0.32	12.22	13.52	+1.30	32.75	32.17	– 0.58
Fabrics, notions and yarns	2.78	2.82	+0.04	4.70	2.41	– 2.29	39.59	40.40	+ 0.81	10.16	12.04	+1.88	34.55	34.80	+ 0.25
Housewares	5.11	5.40	+0.29	0.29	3.30	– 0.14	37.36	36.78	– 0.58	11.70	13.42	+1.72	30.46	29.11	– 1.35
Hardware	3.03	2.98	–0.05	3.21	2.67	– 0.54	36.76	35.96	– 0.08	8.65	9.75	+1.10	30.36	29.47	– 0.89
Paints & accessories	1.16	1.15	–0.01	2.72	2.39	– 0.33	38.94	38.44	– 0.50	9.84	12.82	+2.98	32.89	21.23	–11.66
Toys and games	6.43	6.49	+0.06	4.34	3.52	– 0.82	32.83	31.48	– 1.35	7.17	9.02	+1.85	28.10	25.05	– 3.05
Sporting goods	3.49	3.34	–0.15	3.74	2.67	– 0.07	31.51	31.21	– 0.30	8.84	9.45	+0.61	26.42	25.24	– 1.18
Traffic appliances	2.13	2.26	+0.13	4.74	3.80	– 0.94	28.54	22.26	– 6.28	8.98	8.67	–0.28	23.38	15.66	– 7.72
Sight/sound appliances	4.03	3.98	–0.05	3.61	3.01	– 0.60	24.84	22.64	– 2.20	10.13	9.00	–1.93	16.59	15.02	– 1.57
Photo supplies	1.63	1.59	–0.04	4.61	4.01	– 0.60	22.00	21.10	– 0.90	7.39	7.00	–0.39	15.95	15.63	– 0.32
Candy	3.76	3.85	+0.09	10.97	8.88	– 2.09	21.83	22.85	+ 1.02	6.41	7.38	+0.97	16.45	17.53	+ 1.08
Stationery & greeting cards	3.14	3.19	+0.05	4.44	3.76	– 0.68	42.93	42.89	– 0.04	6.66	9.33	+2.67	39.48	37.80	– 1.68
Drugs and cosmetics	7.98	8.61	+0.63	5.26	4.32	– 0.94	24.38	23.65	– 0.73	5.81	6.14	+0.33	19.57	19.28	– 0.29
Lawn and garden	2.43	2.68	+0.25	5.40	4.37	– 1.03	31.81	34.03	+ 2.22	13.73	15.10	+1.37	22.01	23.62	+ 1.61
Auto accessories	3.94	3.85	–0.09	4.20	3.43	– 0.77	31.31	31.01	– 0.30	8.08	8.80	+0.72	25.55	24.31	– 1.24

Source: NMRI Mass Retailers Merchandising Report

Discounters' Markups Dip, Markdowns Rise, Turns Slump

(Continued from page 3)

Discounters trimmed markups in all but a handful of the categories surveyed. The deepest slash in markups came in handbags and accessories, down more than 20 percentage points to 29.79% against markups averaging more than 50% the preceding fiscal year.

Markups increased by one-tenth of a percentage point in hosiery to 40.64%; nearly three-fourths of a percentage point to 49.68% for jewelry and watches; 0.11% of a point to 42.68% for boys' wear; four-fifths of a point to 40.40% for fabrics, notions and wear; 1.02 percentage points to 22.85% in candy, and 2.22 percentage points to 34.03% for lawn and garden.

At the same time, discounters took much deeper markdowns. Markdown at retail for shoes increased 4.37%; for jewelry and watches, 3.22%; boys' wear, 2.75%, and paint and accessories, 2.98%. Only on infants' wear, juvenile appliances, sight and sound appliances, photo supplies, and candy did stores cut their markdown rate.

Discounters improved their gross margins in only three departments. Gross margins rose 1.61 percentage points to 23.62% for lawn and garden items; 1.08 percentage points to 17.53 for candy; and a quarter-point to 34.80% for fabrics, notions and yarns.

Sharp reductions in the gross margin hit paints and accessories, down by 11.66 percentage points to 21.23% from almost 33% the previous fiscal year.

Other drastic gross margin decreases were shown by sight and sound appliances, off 7.72 percentage points to 15.66%; by juvenile furniture, down 3.12 points; toys and games, down by 3.05 points; shoes, off 2.94 points, and infants' wear, off 2.65 points.

Net Cost Club Enters Warehouse Chain Battle in Philadelpia

(Continued from page 1)

will become a 104,000-sq.-ft. store in northeast Philadelphia scheduled to open in early summer '87 and the other a 110,000-sq.-ft. unit in Wilmington expected for the fall '87. The third will be a new 110,000-sq.-ft. structure in Cherry Hill, N.J., due to open in early '88 about seven miles from the BJ's unit.

The NCC unit on Route 63 in Montgomeryville features 89,000 sq.ft. of selling space, plus a 33,000-sq.-ft. mezzanine used as a storage area and company headquarters.

Major owners of the company are chairman Albert Hoffman and his four sons, one of whom, Marc, is president, while other sons, Jeff, Fred and David, serve as vice presidents of the family operation.

The other Hoffman family ventures are the Hoffman Tire Co., a $140 million-a-year tire wholesaler, and part interest in a tire store chain.

Albert Hoffman said he got into the membership warehouse field because at age 62 he wanted to return from retirement. "I undid my three-year retirement, visited a number of clubs and decided to do the same."

NCC buyers, only one of whom has any retailing experience, bought more than $3 million worth of goods to launch the first store, Hoffman said. "We shopped other clubs to see where we should be postured."

The membership warehouse opened with about 2,700 sku's and aims to stock 3,500 sku's after it expands its refrigerator case. "We aren't carrying as much food as we planned because our case wasn't large enough," he said.

Hard to Beat Supermarkets

Food will account for about 30%-32% of the mix "because its more difficult to get net prices on food lower than supermarkets. These retailers buy in large quantities, so clubs work on a short markup on this merchandise."

The Montgomeryville NCC carries a larger nonfood mix that the industry's average, he added, because of the better markup on such merchandise. The membership warehouse's gross margin will fall in line with the industry's range of 8% to 12%, but Hoffman said it was too early to know the exact figure.

Using the tire expertise of its founders, NCC has "put a heavy emphasis on tires, including service bays to do our own mounting. We also offer truck tires in all sizes, while most other clubs only carry small camper sizes," he said.

NCC also handles white goods from five vendors, General Electric, Whirlpool, Emerson, White Westinghouse and Kelvinator, with about 75% obtained directly from the manufacturer, he said.

In operations, NCC has reduced its checkout labor cost by eliminating the caller-packer member of the two-person checkout team used by all other membership warehouses. This person calls out the merchandise identification number on goods while packing.

At its checkouts, NCC uses wand scanners to pick up the manufacturer UPC codes on premarked goods, rather than company-assigned digits. This system allows one clerk to ring up purchases as well as pack.

NCC also prints UPC tickets for goods that aren't premarked by the vendor, such as imports.

The company's purchase orders for palletized, trailer-load shipments include a special UPC number assigned by manufactures to facilitate receiving at the store. NCC will issue a UPC code for use on purchase orders when vendors don't, Hoffman said.

Membership and community services include a travel club, one-hour film development from an in-store mini film lab, free refreshments from a milk shake bar and a popcorn machine, monthly visits by an optometrist to tighten eyeglass frames and free blood pressure tests.

NCC's marketing also includes three unusual promotions. One is a corner featuring unusual merchandise, Hoffman said. The first item on display was a casket. The second is a consignment area where members can sell an item like an antique at no charge other than contributing 10% to a local hospital.

The third promotion will be an auction, called Buyers' Mistake Night, held three times a year, to clear out stock that sold poorly.

—Arthur Markowitz

Answers: *1.a, 2.b, 3.d, 4.c, 5.b, 6.a, 7.b, 8.a, 9.c, 10.c.*

Growth Prompts C.O.M.B. To Focus on TV Marketing

(Continued from page 3)

An executive said that "we have stores that are doing well and we will keep those. We are exploring all alternatives for the others."

The stores performing worse than anticipated are single units in smaller markets. C.O.M.B. has store clusters in such markets as Minneapolis, St. Louis, St. Paul and Kansas City but only single units in places like Fargo, N.D., LaCrosse, Wis., Sioux Falls, S.D., Fort Dodge, Cedar Rapids and Davenport, Iowa, and Rochester, Austin, Waseca and Hutchinson, Minn.

C.O.M.B.'s management interest in CVN is exercised through Peter Barton, who was named a corporate executive vp and president of the teleshopping operation.

CVN first was established as a joint venture between C.O.M.B. and Tele-Communications Inc., the leading MSO. Subsequently, other cable TV operators joined by purchasing a share of TCI's 50% interest. At the same time, C.O.M.B. agreed to offer the MSOs warrants to purchase its stock.

C.O.M.B. is scheduled to issue 7.8 million warrants in April 1987, with the number that each MSO receives dependent on the number of cable subscribers receiving CVN programming when the warrants are issued. The warrants can be exercised from November 1987 through December 1988.

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K mart's Special Synergy

Solving the Growth Puzzle

With 2,200 K mart stores and $22.4 billion in sales, the Troy, Mich.-based retailing giant has embarked upon an ambitious five-year program that includes diversification into specialty retailing while expanding discount store assortments and operating efficiencies. K mart is positioning its [illegible] long-range plan to become the top U.S. retailer by 1990.

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Crazy Eddie Expands Into Gold Jewelry

EDISON, N.J. — Crazy Eddie, a New York area consumer electronics retailer, has expanded its product line to include 14 carat gold jewelry, ranging between $20 to $3,500.

The concept to sell jewelry was first tested in July in the Hartsdale, N. Y., store and is now available in the Cherry Hill, N. J., store.

"We felt this expansion fit in well into our merchandising strategy," said Harry Shalom, director of jewelry operations at its Edison, N. J., headquarters. "Jewelry fits right in with our other products and the customers we attract in that everyone, no matter what income level, buys consumer electronics and jewelry or gives these items as gifts."

Shalom said that Crazy Eddie is encouraged by the sales and interest generated by the two stores already selling the jewelry and plans to add jewelry in other stores.

"We will, however, move slowly to make sure we hire experienced salespeople, who are knowledgeable about fine jewelry," said Shalom.

In terms of pricing, Crazy Eddie will be competitive and offer the same policy that it does with electronics.

For example, if the jewelry item can be compared with a particular brand name and model number, it will match the best price, Shalom said. Other than that, there is no way to compare and give a price guarantee for fine gold jewelry because every piece is different, he said.

"If we do find a way, it will be done," Shalom added. "But, we won't trade down for the sake of price. We want to offer the same fine quality that Crazy Eddie customers are used to and will not, for example, put a lesser diamond in a piece of fine gold jewelry."

Larger Pension Contributions Included in New State Laws

WASHINGTON — Discount retailers will be faced with bigger contributions to employee benefits programs because of a flurry of 1986 state legislation, just one of a number of changes, good and bad, for retailers.

A *Discount Store News* review of bills enacted by state lawmakers this year shows that four states passed laws requiring employers to allow former employees and their dependents to remain temporarily in group health care programs. The state laws are similar to a provision of the 1985 Federal Consolidated Omnibus Reconciliation Act (COBRA) mandating continued health benefits for some former employees and their families. Although ex-employees will be paying the premiums, industry sources complain that administrative costs will be burdensome.

Under Tennessee law, employers must allow dependents due to be terminated from health care because of divorce or death of a spouse to remain in the program for 15 months. Maine lawmakers established a six-month period of health coverage "under certain circumstances," such as temporary layoff or work-related injury. Georgia and Alabama both designated continued family health benefits for three months after termination unless the worker was fired for cause.

Employee health benefits also were extended in Kentucky where legislation was passed requiring that group health policies cover mental illness. In New Hampshire, lawmakers mandated health plans for some part-time employees.

On the plus side for retailers, legislators in 10 states enacted laws setting stiffer bad check penalties. More than a dozen bills were passed giving business owners increased redress against customers whose checks bounce. Penalties range from a slap on the wrist in California (the customer is liable for the cost of mailing the written demand for payment) to "damages" of triple the check amount (with a $500 cap and a $100 minimum) in Kansas. Other states that established bad check charges by law were Rhode Island, Washington, Louisiana, Florida, Maryland, Georgia, New York and Kentucky.

Also affecting discount store owners was 1986 state legislation in the following categories:

- Sales Tax—The rate was increased in Kansas and Nebraska to 4% and in Virginia to 3.5%. Utah delayed cutting its sales tax originally set for July 1, 1987. Oklahoma imposed tax on sales within the state by out-of-state vendors.
- False Advertising—Rhode Island enacted two laws defining deceptive advertising as making "false or misleading statements and improper use

(Continued on page 219)

Sacramento Library Provides Mail Order Catalog Shopping

CARMICHAEL, Calif. — Shoppers in this Sacramento suburb now can research and buy merchandise from mail order catalogs in their local library while they check references in Standard & Poor's or the Encyclopedia Britannica.

Warren Harris thought of the new wrinkle in merchandising in 1981 when he asked a Sacramento librarian where the catalogs were and was told they weren't to be had.

By September 1985, he created what he calls, "The Kiosk: Mail Order Catalog Center," and persuaded the Fair Oaks-Orangeville library to install his kiosk.

Harris' concept is simple. He leases a freestanding unit to the library for about $5,000 a year and charges catalog houses $18 a year to be included. He refunds the library $1 for each order placed at the Kiosk. He had been taking a percentage on orders but gave that up because it required more bookkeeping than it was worth. Harris also offers libraries the opportunity to purchase a kiosk for $9,000.

At this point, there's only one installation, but Harris expects to place a catalog center in a library in Schaumburg, Ill., an affluent Chicago suburb, in January and at the Yakoda Air Force Base near Tokyo soon afterward.

"There are thousands of American soldiers and their families there, demanding U. S. merchandise," he said.

His kiosk contains 1,100 bound catalogs. Buyers can send orders, either through Harris, who forwards them to the catalog address, or directly to the catalog company.

Sacramento generated 3,300 orders in its first year, he said. He expects Schaumburg to produce some 2,000 responses for the catalog firms.

Shoppers at this suburban Sacramento library have an unusual reference center, a mail order catalog kiosk with nearly 1,100 indexed catalogs. The unit will go into two more libraries in 1987.

QUIZ

This DSN quiz will test your knowledge of K mart, the nation's largest discount retailer, featured in this special year-end issue beginning on page 27. Check your answers with the key on page 219.

1. What is the name of the book concept in K mart discount stores which is operated by Waldenbooks?
a) Reader's Choice;
b) Books and More;
c) Reader's Market.

2. What merchandise category is Pay Less expanding with the help of the discount stores' expertise?
a) hardware;
b) apparel;
c) sporting goods.

3. What is K mart's newest advertising theme?
a) K mart, Yes, K mart;
b) America's Favorite Store;
c) The Saving Place.

4. Who operates K mart's leased shoe department?
a) SCOA;
b) Meldisco;
c) Spencer.

5. Who is the chairman and chief executive officer of the Troy, Mich.-based retailer?
a) Sam Leftwich;
b) Joseph Antonini;
c) Bernard Fauber.

6. In what year did the first K mart store open?
a) 1964;
b) 1962;
c) 1958.

7. What is the name of the deep discounter operated by K mart Canada?
a) Family Bargain;
b) Bargain Bernie's;
c) Bargain Harold's.

8. In what year, and in what city, did Sebastian Spering Kresge open his first "five and ten" store?
a) 1887 in Kansas City;
b) 1899 in Detroit;
c) 1889 in New York City.

9. In addition to the sale of its cafeteria chains, what specialty division did K mart recently announce it will sell?
a) Kresge;
b) Designer Depot;
c) Builders Square.

10. What is K mart's newest men's wear line?
a) Campus;
b) Fashion First;
c) Hunter's Glen.

11. In 1985, what were K mart's total sales?
a) $20.4 billion;
b) $22.4 billion;
c) $24.4 billion.

12. What is the approximate number of K mart discount stores?
a) 2,750;
b) 2,200;
c) 2,400.

Cabbage Patch Kids Ruling May Threaten Gray Market

WASHINGTON — The International Trade Commission took another swipe at the so-called "gray market," issuing a controversial "exclusion order" restricting unauthorized "parallel imports" of Coleco's once-hot selling Cabbage Patch Kids dolls.

That ruling marks the Commission's first decision on the legality of gray market merchandise since President Reagan overturned a similar ITC exclusion order seeking to ban parallel imports of Duracell alkaline batteries last year.

In issuing its new Cabbage Patch ruling, the agency upheld charges by Coleco and the dolls' trademark holder, Original Appalachian Artworks, that unauthorized parallel imports of these toys constitute an unfair practice in violation of the U.S. Tariff Act.

The complaint that led to the order surfaced a year ago as Coleco and OAA sought to curb an influx of gray market Cabbage Patch Kids when

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1986 Salary Survey*

Position	Sales in Millions			
	Under $150	$150-$400	$400-$750	Over $750
Chairman of the Board	$167,000	$246,200	$315,200	$420,100
President	190,200	225,100	279,000	347,200
Sr. Admin. Exec.	100,000	188,200	148,800	191,000
Sr. Merch. Exec.	96,000	101,000	126,500	227,000
Sr. Operations Exec.	70,000	85,600	134,000	152,600
Sr. Financial Exec.	94,200	85,700	123,500	132,400
Sr. Human Resources Exec.	36,500	70,100	117,300	121,500
Top Real Estate Officer	58,000	60,100	109,100	113,200
Treasurer	95,400	55,000	71,000	104,000
Controller	42,000	52,900	64,700	78,900
Sr. Legal Exec.	N/A	70,000	94,100	126,000
Sr. Advertising Exec.	51,200	63,500	79,100	103,500

*Base salary as of August 1986. Source: NMRI

Ardan, Boardman Catalogers Are Holding Liquidation Sales

BOSTON — Gordon Brothers, a wholesale jewelry firm located here, is in the process of holding liquidation sales to dissolve two companies, Ardan Inc., and Boardman Ltd., said Gordon's managing partner, Philip Gordon.

Carlson Companies, which owns Ardan, last spring closed all but the jewelry and giftware departments in 41 units of its former catalog showroom chain. Only 17 Ardan jewelry outlets remained when Carlson, based along with Ardan in Minneapolis, contracted with Gordon Brothers to liquidate the division completely , Gordon said.

Unlike the case with Ardan, Gordon Brothers, itself, owns Boardman. The catalog showroom chain was forced to file for Chapter 11 in December 1985, and it operated 10 units in September, when Gordon won approval from the U.S. Bankruptcy Court, Northern District of New York, to purchase the company.

"Our original intention was to see if Boardman could be turned around and to reassess our plans in January," Gordon said. "There were too many unexpected problems, however," he added. "We had to take advantage of Christmas sales to liquidate."

Thomas D. Jardine, a Carlson spokesman, said Ardan "was not meeting our corporate goals." Repeating an announcement by the company last spring, he said Carlson will focus on its five main operating groups—travel, hospitality, sales promotion, employee motivation and real estate.

The liquidation sale at one Ardan unit in Cedar Rapids, Iowa, has been completed, Gordon said. Sales in the remaining 16 stores began in November and will continue through the holiday season. The remaining units are located in Iowa, Kansas, Nebraska, Texas and California.

Cost of the inventory in the 17 units is in excess of $20 million, Gordon reported. Gordon Brothers has guaranteed Carlson a minimum return and a percentage of the gross from any sales over that amount, he said.

Ardan's merchandise has been discounted 30% to 60% below its already discounted prices, Gordon continued. In other words, prices are 53% to 78% below those suggested by manufacturers, he said. Both the Ardan and Boardman sales are being advertised in local newspapers.

All of the Ardan sites were leased and will be sub-leased, if necessary, until the leases expire, Jardine said.

Founded in 1885 as a jewelry retailer, Ardan had 68 showrooms three years ago when Carlson began paring back to what executives then said would be a "core of profitable" units. Ardan had estimated sales of over $200 million from the 46 showrooms in

(Continued on page 219)

Major Chain Chairmen Average $420,100 Pay

Nationwide DSN Report

Annual base salaries for a chairman of the board in the industry's largest volume mass market discount store chains averaged $420,100 a year, as of August 1986, reported a recent survey conducted by the National Mass Retailing Institute (NMRI).

The survey divides store managers into four groups based on store sales volume—annual sales volume under $150 million; from $150 to $400 million; from $400 to $750 million, and over $750 million.

The chairmen's average salaries in chains with annual sales of over $750 million predictably were higher than those of presidents in similar-sized chains, who averaged $347,200. But chairmen in companies with annual sales of under $150 million earned lower average salaries as of August 1986 than the presidents of these companies, or $167,000 for the chairmen, compared to $190,200 for the presidents.

In the 1985-86 NMRI survey, salaries for chairmen in chains with annual sales of $150 million to $400 million averaged $246,200 and presidents, $225,100. Equivalent figures for companies with an annual sales volume of $400 million to $750 million were: chairmen, $315,200, and presidents, $279,000.

In general, average salaries for top management were correspondingly higher in chains with higher sales volumes.

(Continued on page 216)

Doubts Wisdom of Antitrust

FTC Chief Attacks Price Fixing Ban

WASHINGTON — Federal Trade Commission chairman Daniel Oliver is continuing his public attack on the nation's 96-year-old antitrust laws that protect discount retailers from resale price maintenance conspiracies and other trade restraint schemes.

In a speech to the New England Antitrust Conference in late October, Oliver said that over the past two decades, several trends have come about to "create doubt over the wisdom of antitrust."

"We have learned . . . that resale price maintenance can be pro-competitive, that even agreements among competitors regarding price can have benefits [and] that many private antitrust cases are brought for the purpose of stifling competition and deterring efficient distribution practices," Oliver said.

The new FTC chief said resale price maintenance is "useful in avoiding free-riding by some on the information provided by others" and tying arrangements (under which retailers are forced to buy unwanted goods) are "found to be justifiable for protecting quality and brand names, and enhancing safety."

Oliver questioned the courts' ability to distinguish between pro-competitive and anti-competitive behavior, claiming that the courts "are adhering doggedly to some per se rules long after they've been shown to be in error.

During the conference, held at Harvard University, Oliver also cited a study showing that FTC antitrust enforcement in

(Continued on page 221)

Discounters Hire Check Approval Services to Cut Bad Check Losses

Nationwide DSN Report

Despite predictions to the contrary by the banking industry, national statistics indicate Americans are writing more personal checks than ever.

As consumer preference for paying by check increases, the obvious problem for retailers, including discount stores, is how to guarantee that a check won't bounce. Another factor is the speed with which a check can be approved at the check-out. For many discounters the solution has been to subscribe to a check approval service.

K mart uses the country's second-largest check approval service, Tampa, Fla.-based Telecredit, in about 25% of its 2,071 units. P. C. Way, K mart's director of loss prevention, said the chain is researching the possibility of expanding the service to more stores. Decisions will be made on a regional basis, he said.

The major considerations are check-out speed, losses from bad checks, cost of the service and the ability to accept a larger number of checks, Way said. K mart stores lacking the service do accept checks—but only from their local market area. "The check approval service allows a store to accept a check from anywhere in the country," Way said.

Telecredit's services cost K mart, based in Troy, Mich., less than credit cards—but cost is still a factor, Way continued. Roughly one-third of K mart's sales are paid for with checks, he added.

Vince Staranski, controller at Stereo Discounters, a 28-unit Baltimore-based electronics specialty chain, also uses a check approval service. "I'm not going to turn a sale away because the customer wants to give me a check," he said. "But if we had to cover every bad check ourselves, the losses would be too great." Checks accounted for about 40% of Stereo Discounters' $60 million in sales last year, Staranski said. The company subscribes to J B S Associates, a Ringwood, N. J.-based check approval firm.

The cost of these services varies with the subscriber's check volume, average amount of purchase and loss record, check approval service executives said.

For Stereo Discounters, the cost of JBS services is 1.6% of the sales, slightly higher than its cost on bank-issued credit cards but much lower than the cost on American Express charges, Staranski said.

"Some of our competitors won't accept checks at all," said Bob Sussman, chief financial officer for the 22-unit Brick Church Appliances chain based in Orange, N. J. "We consider our ability to accept checks with ease a definite competitive advantage."

Brick Church subscribes to Denver-based Telecheck, the nation's largest check approval service with more than 50% of market share. Telecheck services cost Brick Church slightly less than bank-issued credit cards. "We have a low rate based on our loss record. We take bad checks very personally," Sussman said.

(Continued on page 216)

Barnes & Noble Acquires 779-Unit B. Dalton Chain

MINNEAPOLIS — Dayton Hudson will sell its 779-unit B. Dalton chain to Barnes & Noble, the nation's leading book discounter.

The transaction, which should be complete by the end of December, had been expected since earlier this year when Dayton Hudson disclosed intentions to spin off B. Dalton.

Boake A. Sells, Dayton Hudson president, said that "the corporation is pleased with the agreement," but Dayton Hudson declined to discuss details. It said only that "it expects the sale to result in a substantial gain."

Analysts estimate the sale price at between $275 million and $300 million. B. Dalton Bookseller is a profitable operation whose earnings of about $15 million on sales of $338 million last year were topped in books only by K mart's Waldenbooks division, which rang up sales of $565 million.

New York-based Barnes & Noble, operating 35 stores in the Metro New York market, Boston and Philadelphia, logged sales of $225 million in 1985.

Leonard Riggio, owner of Barnes & Noble, said he would run the chains separately under their own names. B. Dalton's "center of gravity will remain in Minneapolis," he said, "while B & N's will remain in New York."

Riggio said that Barnes & Noble, a pioneer of book discounting, would continue to sell books exclusively at discount prices, while B. Dalton would continue to sell the major portion of its books at suggested retail price.

B. Dalton, under pressure from other discounters including Barnes & Noble, recently began discounting some titles, and it is expected to continue cut-price sales of some best sellers in competitive situations.

Riggio said he looked forward to using the systems and technology that run B. Dalton. "The chain has the finest computer system ever deployed," he said.

Tighter Cost Controls Attempt to Bolster Bottom Line

This article, which was researched and written by Arthur Young, a Big Eight accounting firm based in New York, analyzes and compares financial data from K mart, Wal-Mart and Zayre.

NEW YORK — With more than an 80% penetration of the general merchandise market and nearly 4,000 general merchandise and specialty retail stores, K mart appears to have reached a turning point in its discount store career. Fully-matured and successful in the discount and general merchandise market, where is K mart going and how successful will it or can it expect to be?

To answer these questions, this analysis will compare K mart with two of its competitors, Wal-Mart and Zayre, as well as examine K mart's financial results for its fiscal year ended January 1986, against fiscal 1985.

K mart has invested $40 million in a data and video satellite communications network connecting 2,100 stores. The chain realizes it must tighten up and modernize operations with high-tech systems and better inventory control.

Wal-Mart and Zayre were chosen as comparisons because they and K mart have a high penetration in the discount store market segment, while each retailer's position in the corporate life cycle is slightly different. While K mart can be considered mature, Wal-Mart continues its expansion role, and Zayre remains the relative newcomer in terms of significant sales growth and profits.

Where is K mart going? Current history may help in answering this question. In the last few years, K mart has acquired several specialty retailers, Waldenbooks, Builders Square, Pay Less drug stores and Bargain Harold's, moving away from its traditional general merchandise focus.

In early 1986, with a veritable portfolio of retail businesses, K mart's presence was in six different market segments: off-price apparel, books, drug stores, food service, discount, general merchandise, and do-it-yourself home improvement. By November, 1986, however, K mart departed from the off-price apparel and food service businesses by announcing its planned sale of certain unprofitable or marginally profitable units, Designer Depot, an off-price apparel chain with 79 stores, and two cafeteria operations, Furr's and Bishop's Buffets.

How has this strategy, diversifying with more than 1,500 specialty stores and an excess of 2,300 general merchandise stores, affected the bottom line?

Obviously, the entire diversification strategy was not profitable as shown by the disposal of K mart's off-price apparel and food businesses. Examination of the 1986 income statement shows that net revenues grew only 6.2% as compared to 1985's figure of 13.4%. This sales growth was mostly attributable to the specialty store segment and not the traditional discount general merchandise category. Furthermore, much of this revenue growth comes as a result of an increase in specialty retail revenues caused by acquisitions being included for a full year in 1986 while only being partially included in 1985.

K mart experienced the lowest compounded revenue growth over a five-year period as compared to Wal-Mart and Zayre, with K mart at approximately 8%, Wal-Mart at 31% and Zayre at 20%. But revenues are only part of the story.

Net income growth for K mart from continuing operations, as compared to Wal-Mart and Zayre, was the weakest, declining 5.6%. Net income as a percentage of sales for all three companies, however, decreased from last year's reported figures.

What are the reasons for the poor bottom line performance? First, the

(Continued on page 40)

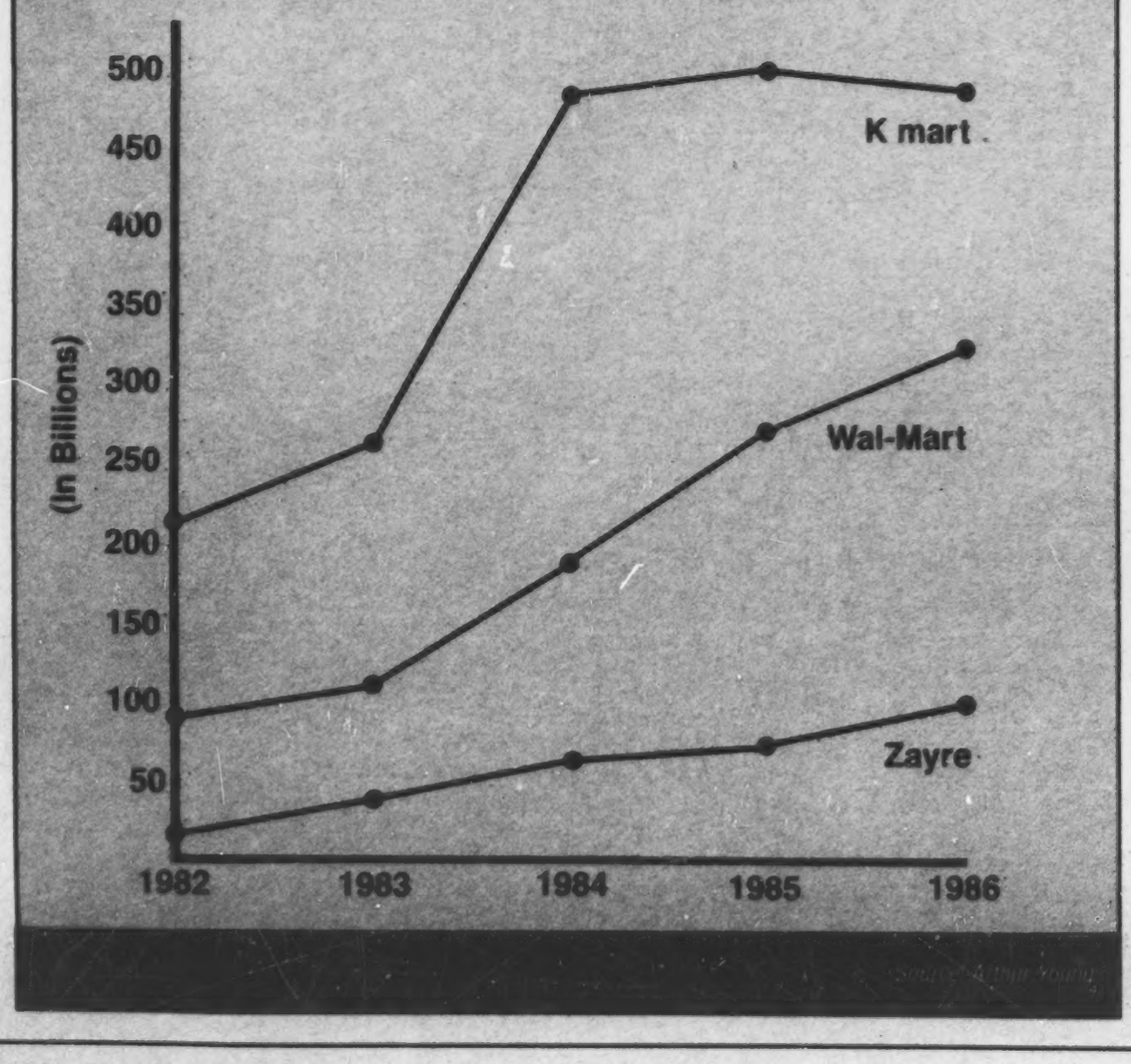
Financial Comparison K mart, Wal-Mart, Zayre

	K mart			Wal-Mart			Zayre		
	Fiscal 1985	Fiscal 1986	% Change	Fiscal 1985	Fiscal 1986	% Change	Fiscal 1985	Fiscal 1986	% Change
Net revenues (millions)	$21,408	$22,745	6.2%	$6,453	$8,507	31.8%	$3,191	$4,036	26.5%
Net income (millions)[a]	$499	$471	– 5.6	$271	$327	20.7	$80	$95	18.8
Net income as a % of sales	2.3%	2.1%	–11.2	4.2%	3.8%	– 8.5	2.5%	2.4%	– 6.1
Net income per share[b]	$3.84	$3.63	– 5.5	$0.96	$1.16	20.8	$2.80	$3.23	15.4
Book value end of yr.[c]	$25.87	$25.98	0.4	$3.50	$4.53	29.4	$17.87	20.67	15.7
Current ratio	1.83	1.78	– 2.7	1.89	1.79	– 5.3	1.86	1.68	– 9.7
Sales/inventory	4.6	4.9	6.5	6.1	6.1	0.0	5.2	4.7	– 9.6
Debt/equity[d]	0.9	0.97	7.8	0.5	0.6	20.0	0.44	0.52	18.2
Return on assets	5.4%	4.7%	–13.0	12.3%	10.5%	–14.6	6.7%	6.0%	–10.4
Return on equity	15.4%	14.39%	– 6.7	27.5%	25.60%	– 6.9	15.7%	15.68%	0.1
Assets/equity	2.86	3.05	6.6	2.24	2.43	8.5	2.32	2.61	12.5
Dividends per share	1.24	1.4	12.9	0.105	0.14	33.3	0.29	0.48	65.5
Dividends/net income	32.3%	38.6%	19.5	10.9%	12.0%	10.1	10.4%	14.8%	42.3

[a] K mart excludes income from discontinued operations: $250 million [b] K mart excludes discontinued operations at $1.90 per share [c] Zayre book value based on fully diluted common shares [d] Deferred income taxes not included in long-term liabilities

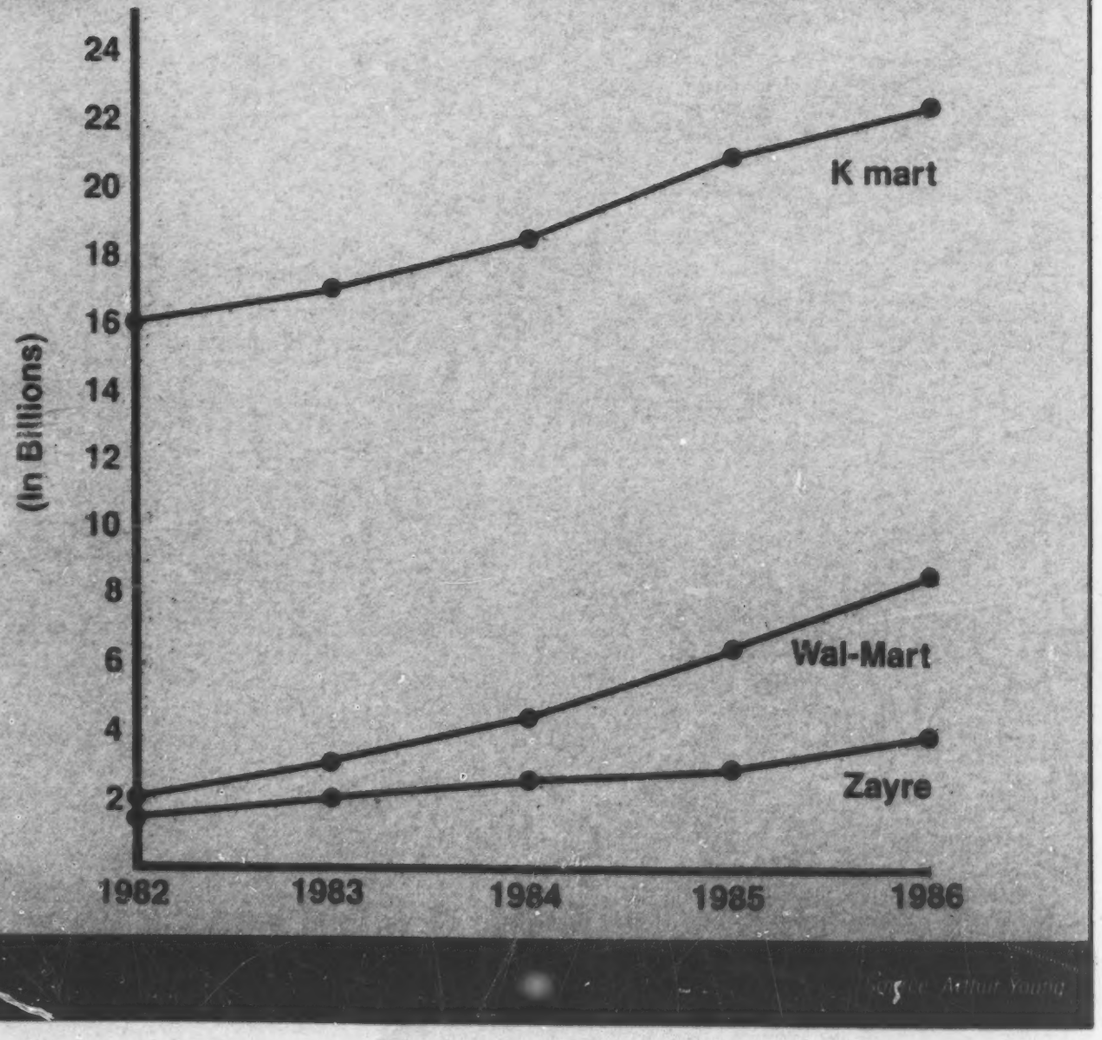
Source: Arthur Young

Net Income 5-Year Growth Patterns



Source: Arthur Young

5-Year Sales Growth Patterns



Source: Arthur Young

With Reservations, Analysts Look Favorably on Stock

NEW YORK — While Wall Street wizards may be less than wildly infatuated with K mart, generally they see hopeful signs ahead. Securities analysts who follow the company most often rate K mart either a "neutral" or "buy" stock.

Stock analysts hold two different views about the chain. Some cite the company as a metaphor for the discount industry at large, while others point to particular aspects of K mart, such as its push toward specialty retailing, that set it apart from the pack.

Since the Troy, Mich.-based behemoth dominates the discounting industry by sheer numbers of stores, analysts who like discounting are likely to recommend K mart. Those who see the industry in trouble are quick to pull the plug on K mart.

"We're positive on K mart when we're positive on the general merchandise category," said Daniel Barry, vice president of retailing at Kidder Peabody & Co. Inc. He currently rates the stock "neutral."

"The [near-term] key to K mart revolves around whether the consumer is all bought out," added Jack Trachtman, senior security analyst at Gruntal & Co. Because Trachtman believes the consumer "is not giving up on retailing even though he's spent a lot of money lately on cars," he rates the stock a "buy," particularly for investors looking for long-term appreciation.

As for discounting as a category, Joseph Ronning, analyst at Brown Bros. Harriman & Co. added: "For years we've clearly been seeing a segmentation between the low-end, medium, and upscale discounters. That this is happening at all indicates the field has considerable strength."

The observers expect new tax laws to bolster the industry in general—and K mart in particular. "Not only will K mart's key moderate-income customer enjoy the greatest percentage tax cut and thus have more spendable income," predicted Edward A. Weller at E.F. Hutton, "but also the company will enjoy a tax cut of its own," significantly raising income by 1988. Hutton recommends "aggressive purchase" of K mart shares for both short- and long-term accounts.

'For years we've clearly been seeing a segmentation between the low-end, medium, and upscale discounters. That this is happening at all indicates the field has considerable strength.'

—Joseph Ronning, analyst, Brown Bros. Harriman & Co.

The other prevailing view recognizes K mart as an individual company with quirks that differentiate it from other discounters. As a group, the investment community's analysis falls into three categories: K mart's treatment of its general merchandise stores, the company's head-long move into specialty retailing and management.

In its discount stores, "K mart will be a tougher competitor in the future," predicted Hutton's Weller. He said management's emphasis on offering better quality merchandise without increasing markups would appeal to the chain's value-oriented customer. Wall Street also praises the chain's heightened attention to high-margin software.

"K mart is making very good strides toward modernization, both on a physical level, with renovating stores, and on a technological level, with point-of-sale (POS) machines," added Ronning at Brown Bros. "These innovations will pay dividends in the future."

K mart executives have budgeted $500 million to put POS terminals in all stores by the end of 1989. Anticipated payoffs include a 1.5% drop in S G & A expenses, 25% faster service at the registers, and faster stock replenishments. In the past, some observers have grumbled that inventory management was poor. "In the last two years, the company has not had as good control on inventory as necessary," said Gruntal's Trachtman, who cited computerization and general tightening on the corporate level as greatly alleviating the problem.

While hailing these moves, some critics see the improvements as too little, too late. "They're renovating stores at the rate of 200 a year," said Terence J. McEvoy, vice president, research, at Smith Barney, Harris Upham. "That means with 2,200 stores they get to start over in 10 years."

Without a doubt, K mart's move into specialty retailing has caught the attention of the analysts like no other strategy has in recent years. The chain's announced plans call for adding just 150 discount stores—but 840 specialty stores by 1990. By the end of the decade, management projects 18% of sales and profits will be generated by divisions including bookstores, home improvement units, drug stores and other acquisitions it may still make.

Some analysts wonder if K mart's management can operate as capably in narrower niches as in general merchandising. Said Smith Barney's McEvoy: "In the drug store division, they're pushing a small company too hard. They bought the book chain at the top at a time when Dayton Hudson is getting out of the business—

'K mart is making very good strides toward modernization, both on a physical level, with renovating stores, and on a technological level, with point-of-sale machines.'

—Joseph Ronning, analyst, Brown Bros. Harriman & Co.

and Dayton Hudson isn't made up of dumb people. As far as Builders Square, I don't think they have a clue as to how much money they're going to lose."

Nonetheless, most analysts assume a cautiously optimistic attitude toward K mart's entry into the specialty arena. Because of its very size, "K mart is a mature entity with limited growth possibility," said Barry of

(Continued on page 48)

Tighter Cost Controls Attempt to Boost Profit Margins

(Continued from page 36)

positive contributor, cost of goods sold, improved slightly for K mart over last fiscal year from 71.28% to 71.14% due to a better merchandise mix and sales of higher margin items. But this improvement was offset by an increase in selling, general and administrative costs, which increased from 20.7% as a percentage of sales to 21.3% due to employee compensation and benefits increases and increases in depreciation and amortization expenses from the refurbishing programs of K mart-owned stores.

K mart is the nation's largest discounter and must be watched closely. Will its upscale look, specialty retailing strategy and technology capture further sales and manage operations economically and efficiently?

Interest expense also cut into K mart's bottom line at 1.7% of sales, against 1.6% in the prior year. This was caused by increased borrowings incurred to pay for acquisitions.

How has the diversification strategy affected the balance sheet? In terms of the balance sheet, K mart's debt/equity ratio rose to .97 from .9 over last fiscal year, while Zayre and Wal-Mart's debt/equity ratios remained in the .5 to .6 range. K mart registered the lowest percentage change at 7.8%, however, compared to 20% and 18.2% for Wal-Mart and Zayre. K mart's current ratio dipped to 1.78 from 1.83.

K mart experienced the lowest return on assets at 4.7%, down from 5.4%, compared to Wal-Mart's 10.5% and Zayre's 6.0%.

K mart's return on investment dropped from 15% to 14%, while Zayre remained constant at about 16% and Wal-Mart slipped from about 27.5% to 25.6%.

(Use of the extended Du Pont equation (net income/sales x sales/assets x total assets/equity) helps to explain K mart's decline in return. In 1985, ROE was 15%—(2.4%)(2.27)(2.86); in 1986, ROE was 15%—(2.1%)(2.24)(3.05).

K mart's profit margin (net income/sales) is down from 2.3% to 2.1%, pinpointing the further need for expense containment as the sales portion of this ratio grew while net income did not. Asset turnover has remained about the same, 2.27 vs. 2.24. Leverage, as shown by the ratio total assets/equity, has increased since K mart was able to expand its asset base though it didn't increase its equity base.

In summary, K mart continues to add to its asset base with increased borrowings in order to finance its diversification and upgrading of company owned discount stores. For this strategy to pay off, K mart must experience an increase in the bottom line. Because costs are eating into revenues generated, a healthy profit margin with the concomitant increase in equity is not resulting.

Operationally speaking, K mart sees areas for improvement. In 1985, the company began a five-year automation program as a move towards improving its systems. K mart has invested $40 million in a data and video satellite communications network connecting 2,100 stores via Skystar data network. An attempt at tighter inventory control can be seen in the fact that merchandise inventories were down 1.1% for the fiscal year ended 1986. K mart recognizes that it must tighten up and modernize its operations through high-tech systems and better inventory control.

K mart's cash reserves are up 27.4% in 1986, from $492 million to $627 million. Cash and short-term investments to current assets for K mart, Wal-Mart and Zayre for 1986 were 16.65%, 9.77% and 7.35%, respectively, while cash and short-term investments to total assets were 9.2%, 5.6% and 4.6%.

Regardless of what the numbers indicate, K mart is the nation's largest discounter and must be watched closely. Will its upscale new look, specialty retailing strategy and new technology capture further sales and help to manage operations more economically and efficiently? Will K mart continue to divest itself of specialty retailers to improve its diversification strategy? Or will the chain look to acquire other specialty retailers or possibly begin to experiment with other internal concepts?

K mart Income Statement as a Per Cent of Sales

	Fiscal 1985	Fiscal 1986	% Change
Sales	100.00%	100.00%	0%
Less:			
Cost of goods sold	71.28	71.14	– 0.20
SG & A	20.68	21.30	2.90
Advertising	2.59	2.49	– 3.81
Interest costs			
Debt	0.69	0.90	23.81
Capital leases	0.90	0.84	– 7.36
Net income before taxes	3.86	3.32	– 16.08
Net income after taxes	2.33	2.07	– 12.56

Source: Arthur Young

K mart Reverses '85 Ad Strategy with More National Spots

	1984			1985			
	Network	Spot TV	Total TV	Network	Spot TV	Total TV	% Change
Sears*	$139.3	$20.0	$159.3	$97.7	$22.4	$120.1	−25%
J.C. Penney	34.0	14.2	48.2	46.3	14.2	60.5	+26
K mart	42.1	12.9	55.0	16.2	17.2	33.4	−39
Montgomery Ward's	—	10.4	10.4	—	8.9	8.9	−14

NEW YORK — While K mart is the largest discount store chain in the country, it ranks second in total television expenditures among retailers behind Sears, reported the Television Bureau of Advertising (TVB).

In 1985, Sears outspent K mart by nearly $87 million.

Over the past five years, K mart appears to have taken a two steps forward, one step backward approach to television advertising expenditures, while Sears and J. C. Penney have steadily augmented their budgets.

In 1981, K mart spent a total of $34,149,600 for network and spot advertising combined, reported the New York-based Television Bureau of Advertising, which tabulates data from Broadcast Advertisers Reports.

The discounter boosted that figure 17% to $39,916,300 the following year, which was accompanied by a major switch from spot-intensive advertising to network-intensive.

Network spending went from nearly $12 million to more than $32 million, while local advertising shrank to about $7 million from $22 million.

In 1983, the chain turned around and cut total expenditures by 18% to $32,557,200.

The spending direction was reversed again in 1984 when K mart budgeted a total of $54,994,500, a 69% increase. But during 1985, spending was cut by 39%.

So far this year, it appears as if the spending pendulum will remain on the cutting side. For the first three quarters of 1986, K mart spent a total of $15,539,800, or less than half all of last year's $33,406,200 budget.

Steady Pace

In comparison, Sears, the top spender among retailers, held a steady pace, increasing its television advertising budget by 21% to $87,540,100 from 1981 to 1982, adding 33% more in 1983 and an additional 20% in 1984.

While it's still too early to draw conclusions about 1986, by September Sears had spent $31,451,300; by the third quarter of 1985 Sears had spent $87,309,300 television ad dollars.

From 1981 to 1982, J. C. Penney cut spending by 1%, but numbers since have climbed as the retailer shifted its emphasis to network, instead of spot television.

In 1983, the Penney's budget was expanded by 25%, with most of those dollars devoted to network, not local advertising.

The dollars spent in 1984 were essentially unchanged, $44,364,300 in 1983 versus $44,440,500 the next year. Spot advertising was cut to $10,411,000 from $12,506,600, while network expenditures were increased to $34,029,500 from $31,857,700.

Spot TV	
1985	1986
$9.0	$7.7
Network	
1985	1986
$1.0	$4.9
Total TV	
1985	1986
$10.0	$12.6

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Ambassador gives you far more computer services than any other greeting card company because Ambassador is a *Hallmark* company. We draw upon the largest pool of talent in the social expression field. More computer, marketing, research, promotion and display experts. And we know more about selling cards than anyone else in the world.

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Ambassador

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A Hallmark company.

Chairmen of Major Chains Average $420,100 in Base Pay, Survey Finds

(Continued from page 7)

There were, however, a few exceptions.

Average salaries for senior administrative executives in companies with annual sales of $150 million to $400 million were $188,200, as of August 1986, while in companies with sales of $400 million to $750 million they were $148,800. Salaries for the same post in the smallest sales category averaged $100,000, and in chains with annual sales of more than $750 million, the base was $191,000.

Senior financial executives in chains with annual sales below $150 million also earned more than those in chains with annual sales volumes of between $250 million and $400 million. Salaries for the former averaged $94,200, and for the latter, $85,700. These executives averaged $123,500 annually in companies with sales of $400 million to $750 million and $132,400 in the largest-volume companies.

In merchandising, salaries followed the same progression of higher pay in higher volume chains—in this case, with one exception—but the range from lowest pay to top was far less.

The one exception was division/category merchandise managers in the $400 million to $750 million sales category, whose salaries averaged $77,200, compared to $74,200 in the top-volume chains. In the smallest volume chains, these managers averaged $50,800 and $51,700 in chains with sales of $150 million to $400 million.

Salaries for general/senior merchandise managers ranged from $52,000 in the smallest companies to $116,500 in the largest sales category. Multiple buyers in chains with sales under $150 million made an average of $31,800 annually, compared with $48,900 for hard lines buyers in chains with sales over $750 million.

The NMRI based its report on a survey of 74 firms operating 13,923 discount stores throughout the United States. Salaries were rounded off to the nearest $100. In some cases, firms indicated that decreases in salaries were the result of hiring new personnel to replace long-term employees.

Check Services Cut Loss

(Continued from page 7)

The retailer can control losses, Sussman said, by carefully training sales personnel to check for apparent discrepancies between a customer's appearance and the description or photograph on his identification card.

If proper identification is provided, companies such as Telecheck and J B S guarantee the retailer payment on checks that bounce. All of these services maintain computer data bases listing customers who have written checks that are returned.

The check-writer's name stays in the computer until the check guarantee company is reimbursed. Then the incident is erased from the data base, and the customer has a clear record again. Unlike credit bureaus, these companies do not keep permanent records of bounced checks.

National Brand Outlets, a 21-unit men's wear discounter based in Secaucus, N. J., considered handling its own checks but instead opted for a check approval service for a number of reasons, said Bob Lieberman, N B O's assistant corporate controller.

"The service is both cost effective and serves as a buffer between us and the customer. We'd rather have the service take the blame for rejecting them and for whatever collection methods are used," Lieberman said.

Speed of approval, along with guarantees against loss, was cited by most retailers as a major consideration in their decision to subscribe to a service. Check validation usually takes only a few seconds.

Both Telecheck and J B S offer three systems for linking up with their computers: touch-tone telephones; bank-card terminals, which can also be hooked into check services, and electronic cash registers.

Telecheck requires either a driver's license or one of five major credit cards to approve a check.

J B S has a similar policy and also has arranged with some of its clients to accept regional credit cards. Both check approval firms said their average turndown rate is low, 1% to 2%.

The use of checks, meanwhile, is growing by about 5% a year in the United States, despite efforts by the banking industry to curtail the growth.

Americans wrote more than 40 billion checks last year, and Telecheck, alone, approved more than 60 million of them. While 51% of the population have credit cards, 86% have checking accounts.

"Discounters are beginning to consider check approval services because of the increased customer demand for retailers to accept checks," said Thomas A. Hellegers, Telecheck's district manager for New York and northern New Jersey.

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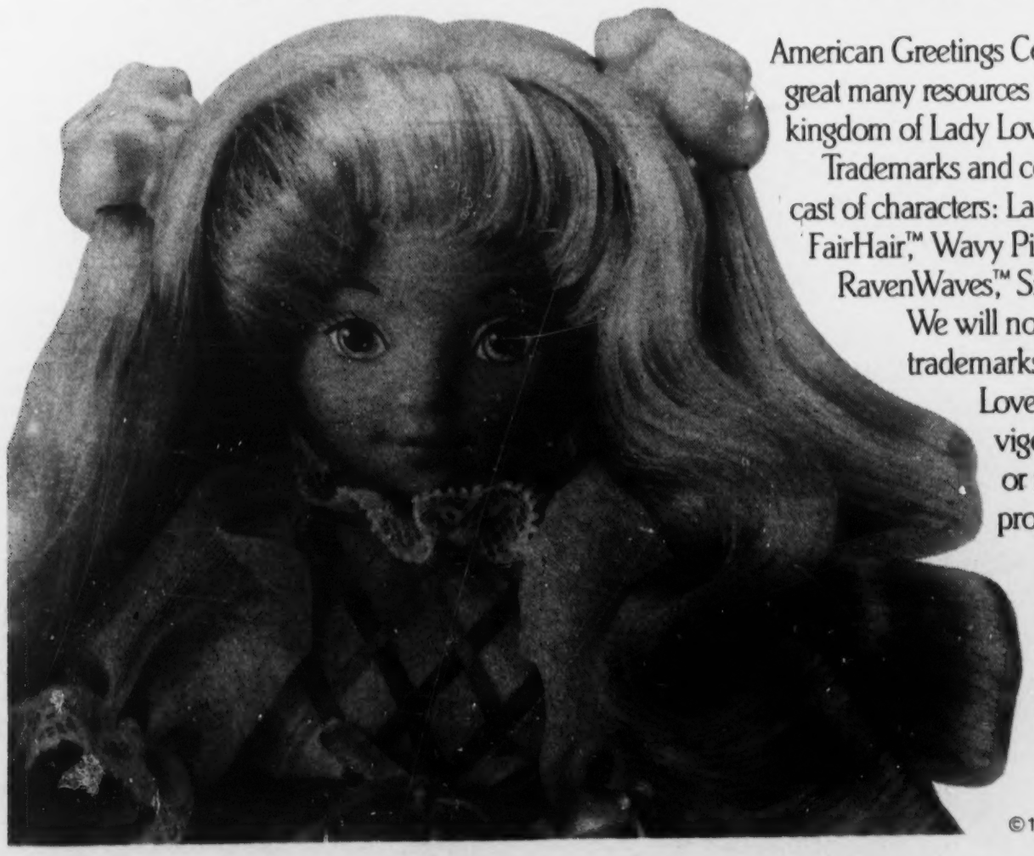

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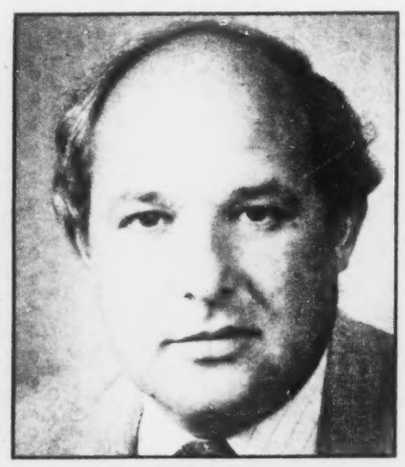
Robert A. Kendig



Robert A. Rubinoff

Best Repositions Core Biz In Bid to Cure Stagnation

RICHMOND — Best Products plans to make some "fundamental changes" in its core catalog business this year as the latest step in an intensive, ongoing effort to revive the stagnant company.

The three-tiered plan will see the $2.2 billion company:

- Cutting back its merchandising to just jewelry and core hard lines categories to become a discount specialty retailer that matches customers' perception of the chain;
- Realigning its advertising to place greater emphasis on media that can be targeted to specific audiences like newspapers, TV and seasonal mini-catalogs to offset the reduced impact of the annual catalog and monthly flyers;
- Enhancing customer services by providing more trained salesclerks on the selling floor, along with more rapidly delivering clipboard ordered goods to shoppers to speed up the checkout process.

Best now describes itself as a discount retailer, rather than a catalog showroom, and the development and execution of the strategic plan is the key final step in Best's expensive and extensive restructuring to live up to that marketing stance.

The repositioning during the past three years has already seen Best remodel and upgrade about 50 showrooms to sharpen its focus on jewelry and other high margin categories, relocate scattered offices and regional operations into a recently expanded headquarters, sell the ailing Ashby's apparel specialty store chain (see separate story) and close 17 unprofitable Best stores.

(Continued on page 53)

Power Players on Both Coasts Vie for CE Market Dominance

CE Chains Thrive, Boost Market Share in Price-Driven N.Y.

NEW YORK — The major consumer electronics specialty chains are the fastest growing segment of the intense, $3.5 billion Metro New York consumer electronics market.

Trying to get the biggest chunk of the business are: Newmark & Lewis (42 stores); Crazy Eddie (31 stores); SaveMart (24 stores); Brick Church Appliance (20 stores); The Wiz (19 stores); P. C. Richard & Son (18 stores), and Trader Horn (15 stores).

To compete in such a fast moving market as New York, each player tries to be more aggressive than the next. Expansion plans include: Crazy Eddie has eight more stores on the drawing board, Newmark & Lewis plans six to 10 new openings this year, and The Wiz said it will open 10 new stores in 1987.

Because New York is such a fast-paced, price-driven market, the smaller independent dealers are falling by the wayside, claims Warren Hyman, Newmark & Lewis chairman.

To generate the pricing needed to remain competitive, retailers have to purchase large quantities, committing themselves to large inventories three to six months in advance. Backup is important, because New York shop-

(Continued on page 62)

Key CE Players For Greater N.Y. Market

Chain	Number of Stores
Newmark & Lewis	42
Crazy Eddie	31
Savemart	24
Brick Church	20
The Wiz	19
P. C. Richard & Son	18
Trader Horn	15

Source: DSN *research*

Circuit City Entry Heats Up Competition in San Francisco

Greater San Francisco Area CE Chains

Chain	Bay Area Stores	Total U.S. Stores
The Good Guys	12	12
Circuit City	10*	88
The Federated Group	4	62

*By end of 1987

Source: DSN *research*

SAN FRANCISCO — The planned entry of 10 Circuit City superstores here by the end of 1987 could shake up the roster of CE retailers in the $700 million San Francisco-San Jose consumer electronics market.

The line-up in the Bay Area of major players are: The Good Guys, a strong San Francisco-based CE chain of 12 stores and one clearance center; The Federated Group, which operates four stores in the area and is scheduled to open a new store in Colma in February, and Macy's department store.

Circuit City Stores, which generated $705 million in sales last year and already has rung up sales of $654 million through the third quarter ended Nov. 30, 1986, will open it's first seven superstores by the second half of 1987.

Following the entry of the 88-store Richmond, Va.-based Circuit City into the $2-billion greater Los Angeles market in November 1985, the chain has opened 17 stores and become one of the top CE chains in the market. The 62-store City of Commerce,

(Continued on page 62)

Buyers Emphasize Style

Gold Circle Develops 'Unique' Lines To Create Distinctive Chain Identify

By MARY ELLEN KELLY

WORTHINGTON, Ohio — The homogeneous tide of merchandise that floods the discount marketplace, making one chain almost identical to another, might be leaving some customers indifferent to which discount chain they shop.

Swimming against that tide, Gold Circle buyers have put on vendors' hats and developed new lines, primarily in the housewares category, to differentiate their assortment from the mainstream merchandise that prevails in competing stores.

In November, the chain launched its "Unique Merchandise" program, changing the store's hard lines assortments in terms of color pallet and, to a lesser extent, item.

"Unique Merchandise works in conjunction with the development of our prototype stores, challenging buyers to go to their resources for fashion colors above and beyond the normal assortment," said Al Thompson, vice president, marketing.

"We wanted new and different colors to stimulate sales by attracting customer attention. In some cases, the colors themselves are selling well. In other instances, they serve to pull shoppers into the department, even though it isn't what they end up buying," Thompson explained.

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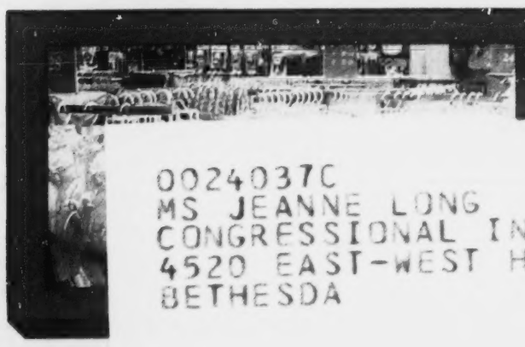
Best Divests Ashby's

NEW YORK — Fifth Avenue Cards, a multi-divisional specialty retailing company, has reached an agreement with Best Products Co., of Richmond, Va., to buy its ailing 32-unit women's discount apparel chain, Ashby's Ltd.

Best announced earlier this year that it planned to divest Ashby's as part of a plan to regain the parent company's profitability. Ashby's had sales of about $33 million in 1985, with a pre-tax loss of $3.5 million.

Last February, Fifth Avenue purchased the Kellwood Co.'s 100-unit discount apparel chain, Ashley's Outlet Stores, based in St. Louis, Mo. The combined acquisitions "will make Fifth Avenue a major discount retailer in the Southeast with total revenues aproaching $100 million," chairman and president Hal J. Upbin said. Ashley's sales for 1985 were about $40 million.

No changes in the Ashby's management are planned, Upbin said. Fifth Avenue refused to comment at presstime on the possibility of combining the two chains.



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MARKETWATCH

Best Tests Catalog Sales Kiosks in Safeways

RICHMOND — Best Products and Safeway are jointly testing catalog kiosks in 10 supermarkets in Virgina as a way for both retailers to augment their business. In the test, which runs until the end of January, supermarket shoppers use a phone that is online to Best's Telemail center in Ashland, Va., to order goods from the catalog. Customers pay by credit card and receive goods within three days via UPS.

Luria Swallows 'Poison Pill' Defense

MIAMI LAKES, Fla. — L. Luria & Son has completed a stock exchange offer intended to make the cataloger less vulnerable to a hostile takeover. In the offer, over 1.9 million common shares were exchanged on a one-for-one basis for a new Class B stock that has 10 votes per share. Company officers, directors and their families hold most of the Class B shares and control about 81.3% of the votes that can be cast on all company business other than the election of directors.

Pic 'N' Save Joins Century Club

LOS ANGELES — Closeout chain Pic 'N' Save Corp. has opened its 100th store in Provo, its fifth Utah location. The new 20,000-sq.-ft. facility joins the three Salt Lake City and one Ogden Pic 'N' Save stores already in operation. Also sharing those markets are numerous Fred Meyer and K mart stores.

Fred Meyer Spreads Christmas Cheer

PORTLAND — Fred Meyer Inc. has donated more than $412,000 worth of food, clothing, toys and household items to The Salvation Army and The Sunshine Division in its Northwestern trading area. The eleven cities selected to receive this merchandise include Seattle, Eugene, Portland and Boise. The holiday donation tradition was initiated 60 years ago by the company's founder, Fred G. Meyer, who used to hand-deliver food baskets to needy families.

Value Club Folds Austin Warehouse Units

SAN ANTONIO, Texas — Value Club, the membership warehouse club, has closed its two Austin, Texas, locations because they fell short of expected sales levels, a company official disclosed. The company continues to operate four clubs, three in San Antonio and one in El Paso.

FOR THE RECORD

Following are corrections and clarifications of information reported on K mart in the December 8 issue.

On page 38, in the story on financial services, Jon M. Hartman was named to the post of director of financial resources in May 1984. It was also in 1984, not 1985, that K mart made a deal with Standard Federal to offer banking services in Texas and Florida stores.

On page 57, in the story on Builders Square, the home improvement chain now has 63 units, with 35 more planned.

On page 65, in the story on Waldenbooks, the bookstore chain now has over 1,000 units and 23 Readers Market departments. Waldenbooks & More is a 7,500-sq.-ft. department.

On page 83, in the story on technology, the first para-

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Gray Market Importers Face Major Assault on Supply Lines

WASHINGTON, D.C. — The international "gray market," an increasingly important alternative supply source for the nation's discount chains and other off-price retailers, could be shut down altogether within months as a result of a multi-front assault on "parallel importers" in Washington.

The most immediate threat to the continued availability of genuine, but "unauthorized" merchandise, imported on the so-called gray market is a ruling by a Federal appeals court in Washington that invalidated long-standing Customs Service rules permitting parallel importation.

In that case, which now faces a go-for-broke showdown at the U.S. Supreme Court, attorneys for K mart and other major sellers of gray market goods are locked in a battle to preserve the industry's off-shore supply lines.

On the opposite side of the issue is Coalition to Preserve the Integrity of American Trademarks (COPIAT), an organization of multinational manufacturers seeking to avoid price competition on their own products from independent parallel importers.

At the center of the dispute: a controversial Customs Service regulation that for years has allowed the parallel importation of brand name merchandise, despite objections from foreign manufacturers.

Although the U.S. Tariff Act permits U.S. trademark holders to enlist the aid of the Customs Service to exclude imports of their products by unauthorized parties, the agency's regulations specifically deny this right to foreign manufacturers and their U.S.-based corporate relatives.

Although this rule has been upheld in a series of court cases, the D.C. appeals panel broke with precedent last summer and ruled that Customs' pro-gray market regulation violates the Tariff Act.

The issue before the Supreme Court now is whether Congress intended that 50-year old law to protect foreign manufacturers, as well as American manufacturers.

Lawyers for K mart and such pro-parallel import groups as the American Consumer Trade Council and the American Free Trade Association, agree that a ruling in favor of COPIAT would enable foreign producers to gain a monopoly over the sale of their products in this country and result in higher prices for U.S. consumers on some $6 billion worth of "gray market" goods.

But even if the pro-parallel import forces prevail in that High Court showdown, gray market imports will remain under heavy siege both in Congress and within Federal regulatory agencies.

COPIAT and other opponents of parallel importation repeatedly have attempted to secure Federal legislation to curb "gray goods," and these attempts often have taken the form of last minute amendments to important trade or revenue bills.

The most recent of these maneuvers narrowly failed late last year when a ban on gray market liquor imports was stripped from a critical government appropriations bill during the final hours of the 99th Congress.

Congressional supporters of parallel imports are again likely to be active in '87. Last year Sen. John Chafee (R-RI) sponsored legislation to preserve the Customs Service gray market rules, and a similar bill is likely to surface again this session.

It's questionable, however, whether those parallel import regulations will be around to protect. The Customs Service is locked with at least a half-dozen Federal regulatory agencies in a six-way tug-of-war that could seal the gray market's fate.

DSN 25th ANNIVERSARY TRIVIA QUIZ: 1962

Discounting's "finest year," as described in Volume 1, No. 1 of this publication, Jan. 1, 1962, saw Korvette wanting to "upgrade," which might have been read as the first seeds of failure for the then the No. 1 discounter.

It was a year of transition. Many other top names of those pioneer days, such as Community, Towers and Arlan's, are no longer around, while many of today's giants were just getting started in 1962.

In our first issue, editor-in-chief Godfrey Lebhar wrote in an editorial that "the day of the long margins in general merchandise retailing is clearly over."

DSN *invites you to test your recall of this vintage industry year with the questions that follow. As part of our 25th anniversary,* DSN *is offering a $100 prize to the person who correctly answers the most questions.*

Please type your answers, including your name, address and telephone number, on standard letterhead, and mail them to:

Quiz Editor-1/5,
Discount Store News,
425 Park Ave.
New York, N.Y. 10022

Winners and answers to each quiz will be announced in a future issue.

1. 1962—The discount store industry had just finished a record year with a total industry volume that was:
a) $1.5 billion;
b) $3 billion;
c) $4.25 billion.

2. The total number of stores in the industry, as reported for 1961, was a whopping:
a) 300 stores;
b) 700 stores;
c) 1,500 stores.

3. The aspiring industry association in 1962 was:
a) Mass Merchandising Research Foundation;
b) Mass Retailing Institute;
c) Association of Discount Merchants.

4. Among the supermarket chains going into discounting in 1962 was:
a) A & P (Price Savers);
b) Food Fair (J. M. Fields);
c) Jewel Tea (Turnstyle).

5. The biggest industry headache in 1962 was:
a) Financial resources;
b) Sunday closing blue laws;
c) Competing variety stores.

25 25TH ANNIVERSARY YEAR

6. Which leased apparel department operator went into K mart and later was absorbed by that chain?
a) Rockower;
b) Holly Stores;
c) Parkview.

7. Which traditional variety store chain did not open its first discount store in 1962?
a) Woolworth;
b) Kresge;
c) McCrory.

8. Among the pioneer specialty discounters in 1961 was:
a) Crazy Eddie;
b) Kiddie City;
c) Herman's.

9. According to the Toy Manufacturers Association, what percentage of toy business did the discount store industry do in 1961?
a) 2%;
b) 7%;
c) 10%.

10. One pioneer "closed door" membership store opening its doors during 1962 was:
a) Gemco;
b) Fedco;
c) Fedmart.

11. Which landlord-lessee court battle caused shock waves throughout the industry and signaled a shakeout on the lessee side of the business?
a) GEM vs. Parkview;
b) Towers Marts vs. Grayson Robinson;
c) Woolco vs. Rockower.

12. Which major discount chain opened a posh, 184,000-sq.-ft. store, replete with chandeliers, on Fifth Avenue in Manhattan?
a) K mart;
b) Korvette;
c) Masters.

Home Products

This display of blank videotape at K mart's new Wall, N.J., store, which stocks about six brands, is a perfect example of the competitiveness of the CE market.

Buyers Seek New CE Sales Builder at Las Vegas Show

Nationwide DSN Report

With the market for low-end video cassette recorders nearing saturation, discount store buyers say they will scour the coming consumer electronics show for a hot new product that will be as strong a performer as the VCR.

Buyers from leading discounters, including Jamesway, K mart, Ames and Venture, are heading for the show on an upbeat note following a healthy Christmas season for consumer electronics. For the most part, the consumer electronics department registered double digit sales gains—outpacing most other areas in the store. Privately, buyers said that the sales gains may have come, however, at the expense of gross margins since prices had to be slashed to keep up with encroaching competition from electronic superstores and wholesale clubs. Nevertheless, retailers entered 1987 with clean inventories.

Although few buyers and senior chain officials expect any surprises at the show, which kicks off Jan. 8 in Las Vegas, most plan to examine particular categories. Upgraded video cassette recorders and televisions, compact disc players, dual cassette tape players and anything with color or new styling head the list. Several buyers expect big things from a few categories staging comebacks, such as personal computers and video games. And a few hope to catch a glimpse of the new digital audio tape players—even if that high-tech equipment might take a few years to reach discount stores.

"We'll be looking at stepped-up VCRs for the consumer who bought at the low-end and is ready to give that one over to the kids and buy a more sophisticated one for himself," said Jamesway's buyer John Zurlo, based in Secaucus, N.J. "We're not afraid to go higher with price points."

Potential for High End Sales

Jamesway recently featured a four-head, 14-day, four-event JVC VCR for $359.99, a price too high for some discounters. Yet, Zurlo sees potential for the discount store customer who is more familiar with VCRs.

Zurlo remains unsure, however, whether the next step is stereo. "We still haven't decided on that one, but we are testing one stereo TV in 15 stores. People may be more likely to want stereo quality in the TV."

Video Marketing calculates that 36 million households own a VCR, and by 1990, penetration will reach 67.3%, or 63.3 million homes. To keep growth strong, retailers will have to court customers who are ready to buy a second unit. Some retailers said this signals a boom in video cassette players (VCPs).

(Continued on page 33)

Blank Videotape Competition Boils; Brand Mix Drops

By JOSEPHINE FIAMINGO
Nationwide DSN Report

The competition in the $1 billion blank videotape market is getting hotter. The key question is which manufacturers' promotional approach will retailers support, especially since the number of brands carried by most discounters has dropped to about four.

Said Joe Schirtzinger, videotape buyer for Worthington, Ohio-based Gold Circle, "When we started stocking videotape we wanted to maximize the business with a large selection of brands, but it is not realistic to go forward with as many brands.

"From our research we found there is a real correlation between the audio tape and videotape customer who wants to buy both products of the same brand," noted Schirtzinger. "This is why we are dropping brands that do not offer an audio tape program along with their videotape offerings."

Gold Circle now carries standard videotape brands—3M, TDK, JVC, Memorex, Polaroid and Kodak—and high-grade in TDK and 3M—in all stores. The chain said it will be dropping Polaroid and Kodak.

Most sales for blank videotape are still in the standard grade, the basic commodity item used as a traffic builder and highly promoted as such by retailers. Sales for the high-grade videotape were stronger in the beginning of 1986, said Schirtzinger, but are flattening out now due to rebates depressing prices of standard videotapes, along with a decrease in the units of upgraded hardware, with more low-end VCRs being sold and more entering the marketplace.

The low-priced, non-licensed goods have had a large impact on the videotape business. "You now see the no-name videotapes popping up all over the place, with 30 to 40 different manufacturers offering them at $1.99 and $2.99. This hurts the sale of branded goods," he said.

"We started in the fourth quarter selling Intermagnetics ATO standard T-120 VHS videotape promoting it at $2.99 with a $1 rebate because we needed the price point," he said. "We can't stand by and not react to what is happening in the marketplace. I expect there will be more rebates from brand names."

Schirtzinger said that rebates show more value to the consumer than a multi-pack with a free tape offer. Sony offers one where you buy five standard size tapes at $4.99 and get one high grade free. It carries a possible retail to the consumer of $3.99 for all six tapes.

"You still have to mail it in with

(Continued on page 35)

MARKETWATCH

PUERTO RICO — **47th Street Photo,** the New York City-based discount camera and consumer electronics chain, recently began selling its products here on Channel 13, a VHF station. It is the chain's first venture into home shopping. The program is aired three nights a week from 11 p.m. to 1 a.m.

* * *

MINNEAPOLIS, Minn. — **Best Buy Company**, which opened 11 superstores in the past six months, bringing the total number of units to 23, is continuing its aggressive growth plans in 1987. The store opening binge began last July and ended with five stores, averaging about 28,000 sq. ft., opening in November—three units in Milwaukee, Wis., and one unit each in Iowa City and Des Moines, Iowa. Richard Schulze, president of the consumer electronics chain, said that in 1987 six superstores are planned in Wisconsin plus additional stores in St. Louis and Kansas City. The first new store will open in February in Moline, Ill.

* * *

LOS ANGELES — **The Federated Group**, the 42-unit consumer electronics retailer, and Greenleaf Video, a mail order video company, recently joined forces in a new merchandising venture. Federated is distributing 35,000 copies of Greenleaf Video's holiday catalog featuring 2,500 titles of pre-recorded videocassettes. A special display with point-of-purchase signage was used. At presstime, results of the project were not available. Federated refused to divulge details of its financial agreement with Greenleaf Video.

* * *

BURLINGTON, Vt. — **Artec Inc.**, a major Northeast video software distributor, has opened a 12,000-sq.-ft. distribution center in the Long Island City section of New York City. The facility will be used to service Metro New York retailers.

* * *

NEW YORK — **The International Fair for Home Appliances**, Household Technology and Kitchens will be held February 10 to 13 in Cologne, West Germany. According to Hans Teetz of the German American Chamber of Commerce, over 600 firms from 34 countries will exhibit their products.

* * *

CHICAGO — It looks like a record year for the major appliance industry, according to a report by the Association of Home Appliance Manufacturers (AHAM). For the first 10 months of 1986, 37.8 million units were shipped setting a record for the period. If that pace continued through year-end, said AHAM president Robert Holding, over 44 million units will be shipped in 1986, up from 41.8 million units in 1985.

Buyers to Scour Vegas CE Show For New Winner

(Continued from page 21)

Alan Close, assistant vice president, merchandise manager, hard lines at Ames Dept. Stores in Rocky Hill, Conn., said his chain is testing VCPs. The price points are perfect for discounters, and the item is an easy answer when a family needs a second video player, Close said.

For some, the real activity in the video area is not the hardware but rather the software. Pre-recorded video tapes, items retailers never dreamed would sell since shoppers could rent them cheaply, were a hot item last Christmas.

Chains such as Jamesway, Target and K mart are creating day in, day out 10-ft. to 20-ft. video departments offering both public domain and frontline videos. Video Marketing reported that sales of prerecorded tapes are projected to grow 28% a year to $4.1 billion by 1990.

"We've increased our selection from a small spinner rack used in Christmas 1985 to as much as 20 ft. in all of our stores," said K mart's senior buyer, Craig Ortale. "We expect the frontline titles will drop even lower than $20, and that will really open things up." About 90% of K mart's units are rack jobbed by Handleman Company, based in Troy, Mich.

All of Target's 247 units carry prerecorded tapes, said spokesman David Houghtby. Target's internal jobber, called Jetco, supplies them. The chain stocks about 200 titles, and department sales should hit $21 million by 1987.

The Target mix is centered on low-priced, public domain and children's titles.

Video Games Are Back

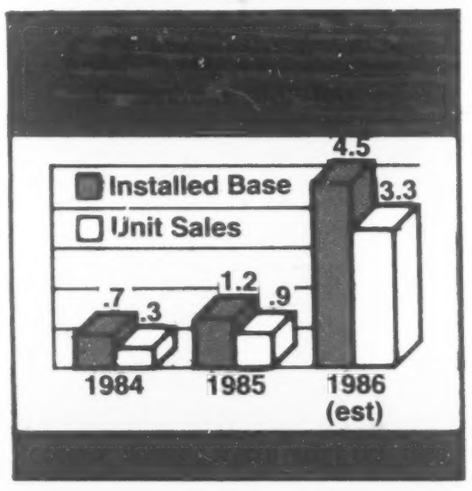
In another development, a new generation of video games has arrived on the scene and will be a strong force at the show. Just as retailers finally had cleared their inventory of the old generation of video games, left from the early 1980's, the category has made a stunning resurgence. "The hottest thing now," Ortale said, "is the Nintendo game."

Retailers credit Nintendo and Sega with breathing new life into the video game business by introducing improved graphics and more profitable systems.

Another category retailers hope they can rekindle—this time more profitably—is personal computers. Target, Venture, Caldor, Toys "R" Us and Federated are taking the plunge into the business with new IBM compatibles. One of the most visible of the entries is the Blue Chip model by Hyundai, retailing for $699. The Chandler, Ariz.-based Blue Chip firm, which is marketing the Korean-made computer, hopes to snare 5% of the personal home computer market this year. Arch rival Daewoo Telecom Co., with its

(Continued on page 34)

Discounters Still Await Compact Disc Boom

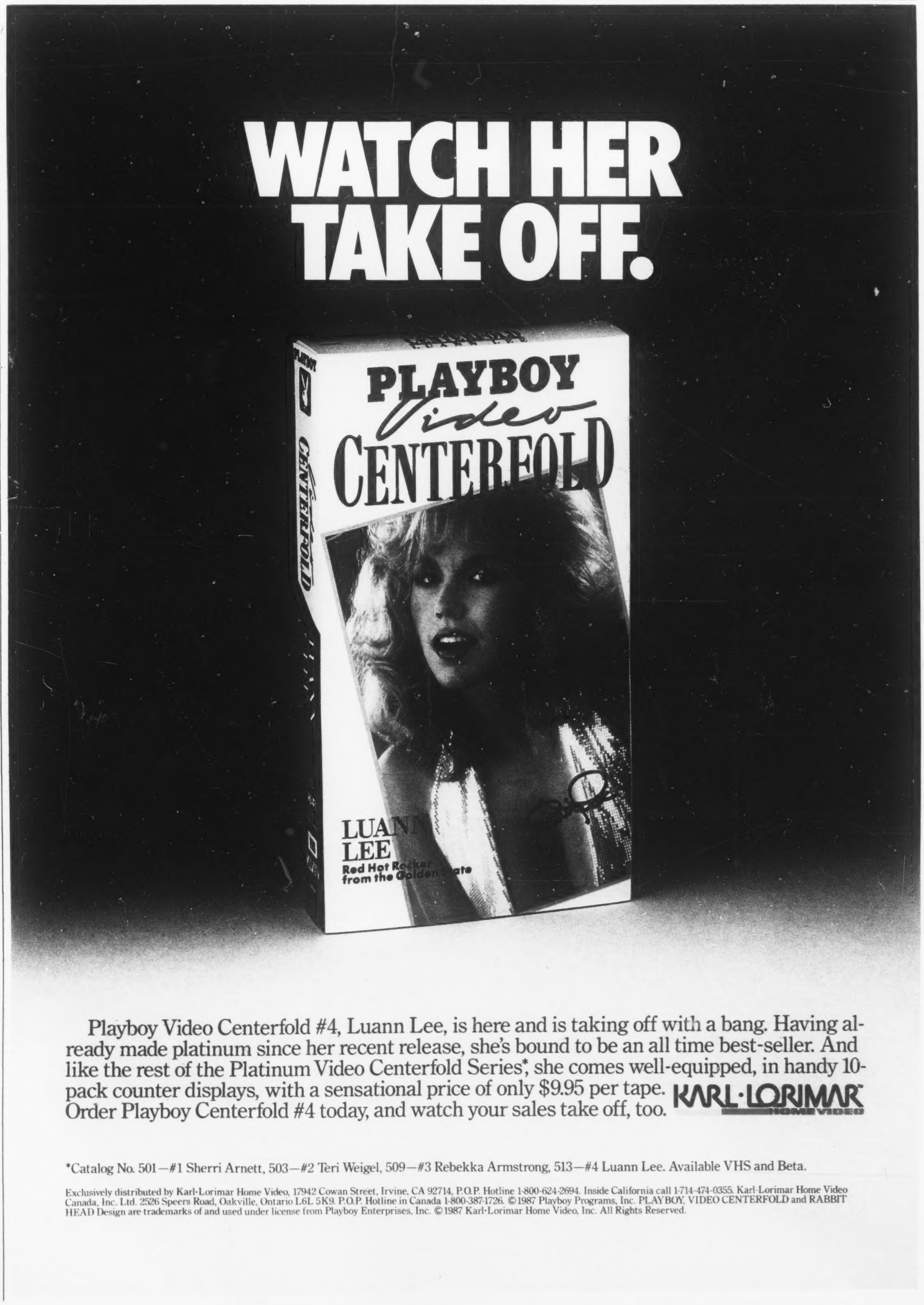


LAS VEGAS — Discount retailers hope they are not waiting for a boom that may never come in the compact disc (CD) market. The sales bonanza predicted last year when prices dropped below $150 has not materialized, and some fear CD sales may never rival the volume of the VCR business.

In addition, CD players are not brisk movers as components, but rather as an added bonus to rack systems, retailers said. Reportedly a severe glut of players is available, which means a $99 price point may not be a shock to see at discount stores nationwide.

Billboard magazine found that U. S. disc unit sales increased to $22.6 million in 1985 from $5.8 million in 1984. Sales for the first half of 1986 totaled $18.6 million, more than double the $7.5 million for the half of 1985. Based on that, more than 50 million units may be shipped in 1986, which would be an increase of 120% over 1985.

But sales are being hampered by the limited supply of discs and their high cost, buyers said. Production of the discs is expected to increase from 10 million units in 1985 to 150 million by the beginning of 1988. And buyers worry that tight supplies mean prices will stay above $10 throughout the year.



Playboy Video Centerfold #4, Luann Lee, is here and is taking off with a bang. Having already made platinum since her recent release, she's bound to be an all time best-seller. And like the rest of the Platinum Video Centerfold Series*, she comes well-equipped, in handy 10-pack counter displays, with a sensational price of only $9.95 per tape. Order Playboy Centerfold #4 today, and watch your sales take off, too. KARL·LORIMAR HOME VIDEO

*Catalog No. 501—#1 Sherri Arnett, 503—#2 Teri Weigel, 509—#3 Rebekka Armstrong, 513—#4 Luann Lee. Available VHS and Beta.

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Buyers to Scour Vegas CE Show for Winner

(Continued from page 33)

Leading Edge clone, already has reached that level.

Some retailers cannot forget the sorry experience they had with computers before.

Jamesway and K mart, for instance, vow not to reenter the market too hastily and will wait until the items are more of a commodity. But Houghtby at Target said today's consumer now is more acclimated to computers from work and will be more likely to buy a computer for the home.

Retailers know that consumers can handle compact disc players—but are reluctant to buy them. Although movement has been promising at the discount level, there has not been the expected boom.

"CD player prices are coming down, and we are expanding," said Close, of Ames. "But the real surge probably won't happen until software falls under $9.99."

Moreover, CD players move best when teamed up as part of a rack system, rather than as a component, discounters said.

Mediocre sales to date of CD players have many buyers hoping to find vendors stuck with a glut of players, meaning low wholesale prices. A handful of discounters met the superstores with a $99 price on CD players last Christmas. But most kept prices in the $149 to $259 range.

Dual Cassettes Build Sales

More important than CD players in rack systems, buyers said, are dual cassettes, which are propelling sales in rack systems and boom boxes.

Consumer electronics in bright colors and pastels will make an even stronger performance at this year's show, buyers predict. "When you are dealing with mature items, you have to give the customer a new reason to buy. The only pitfall is you have to watch your inventory on the colors, because it adds so many sku's," Zurlo cautioned.

Retailers expect the new twist this year to be Eurostyling. Eurostyling, or sleek design inspired by European influences, has helped revive volume in housewares, and some buyers expect the same for consumer electronics. These new designs give retailers a chance to make slightly higher margins because consumers appear willing to spend more for the styling.

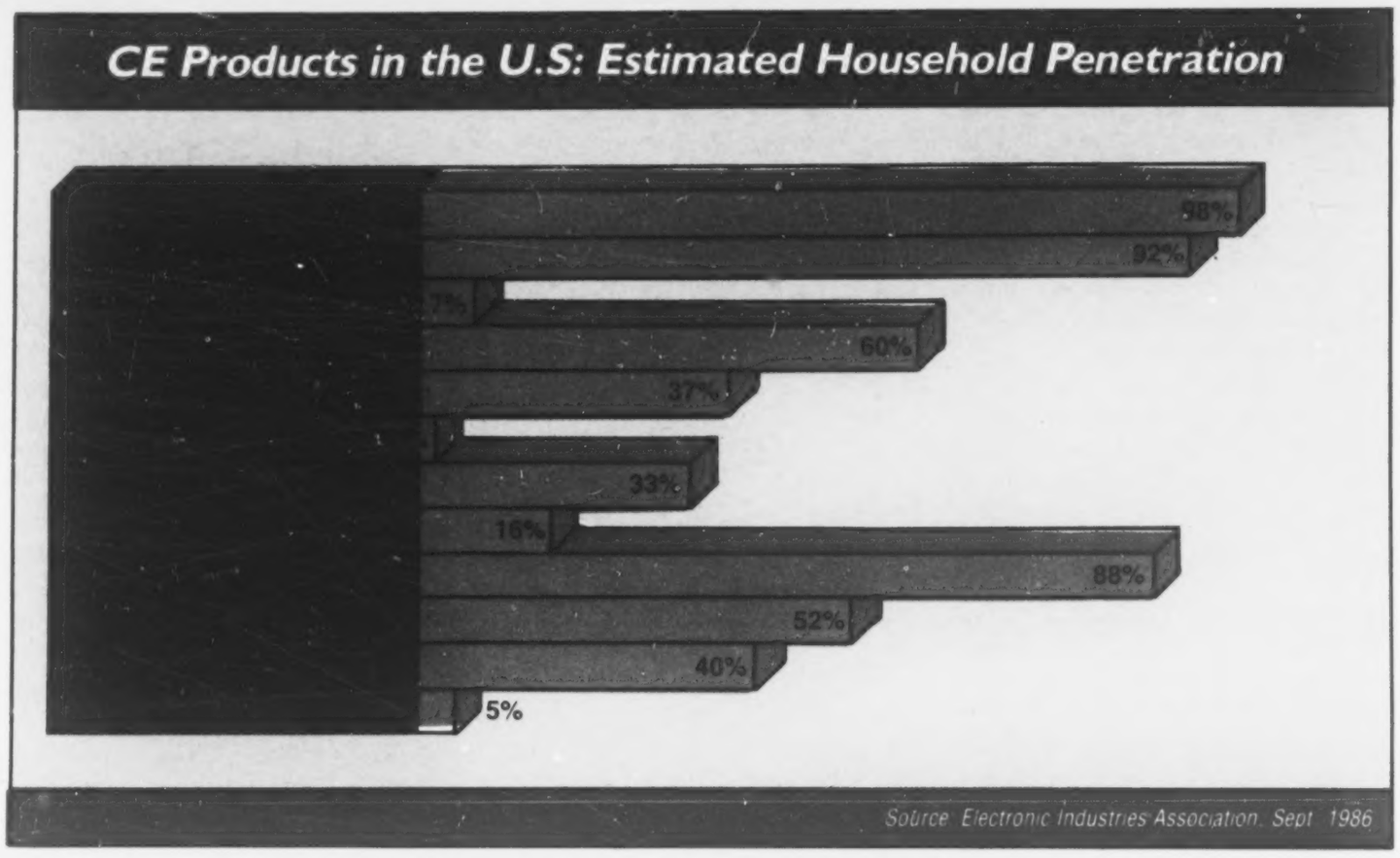
Although high price points have kept some discounters from testing camcorders, several chains introduced models this past Christmas. Jamesway sold the Panasonic camera, while Caldor went with the Kodak 8mm system.

The biggest question troubling discounters is which format to pursue, 8mm, VHS-C, or VHS. Several buyers put a vote of confidence in for VHS, which averages as high as an estimated 70% of camcorder volume.

An aura of mystery surrounds the issue of digital audio tape players. Although mock-up prototypes were shown in Chicago last July by Sony, JVC, Mitsubishi and Denon, no one knows if a real player will make its debut at the show. And if it does, at what price and in what form, home or auto?

"If it is at the show, we'll at least have some idea of how long before it is ready for the discount market," Zurlo said.

Louis Kircos, secretary treasurer for Handleman, said, "The real impact is still a few years off. What we see long-term is that CD will be for the home, DAT for the car."



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RTA: Style, Quality Build Sales

Nationwide DSN Report

Discount chains are cashing in on strong sales of ready-to-assemble furniture as consumers appear to be more receptive to the improved quality and style of RTA goods.

Although entertainment centers, utility carts and home, office and storage furniture have been reported as the industry's big sellers, many retailers and manufacturers believe consumers now are ready for RTA furniture in other rooms in the house, specifically the bedroom. This RTA furniture, should look more like "conventional" furniture with style features like rounded lines, moldings, wood grains and decorative handles, they said.

Discount stores account for the largest share of all RTA furniture sales, reported *Furniture Today*, a weekly trade journal, estimating that discounters garnered 33% of the total $500 million worth of domestic and imported RTA furniture shipped in the U.S. in 1986.

To meet the growing demand and capitalize on the profitability of the category, some retailers are allotting more floor space to RTA furniture.

In October, Clover, the 21-store Pennsylvania-based chain, expanded its RTA area, providing more space with a gondola run and carpeted 30-in. high platform for display with stock stored underneath.

(Continued on page 43)

Survey: Chains Predict Gain in '87 RTA Furniture Sales

Nationwide DSN Report

A *DSN* survey finds that discounters anticipate an average of 23% sales growth in their ready-to-assemble (RTA) furniture lines this year, and many will increase the number of sku's they carry in furniture and housewares departments.

Furnishings with a white solid finish are likely to be candidates for these additions as the traditional top performers, oak and walnut, lose some of their luster.

The poll of the top discount chains in the country shows that 52% will offer shoppers more RTA sku's in 1987 than they did last year.

In addition, 40% intend to maintain the number of furniture options they offered in 1986, while the remaining 8% said they will cut the RTA assortment in their stores this year.

Furniture with an oak finish, ranked the most popular by 88% of those surveyed, is expected to have less appeal during the next 12 months. Only 72% of the discounters surveyed said oak is expected to be the most popular during 1987.

Walnut finish, second in popularity to oak (28% considered it the most popular RTA finish) also is expected to lose some of its appeal during 1987. Only 16% of the discounters believe walnut will be the most popular during 1987.

Taking up some of the slack from oak and walnut was a solid white finish. Even though none of the retailers surveyed now rate solid white furniture among the most popular types of RTA finishes, 12% said they expect it to become more popular over the next 12 months.

When selecting furniture for their departments, buyers said product quality and the manufacturer's defect rate were the most crucial factors. Of those surveyed, 92% cited these two factors as most important. About 76% cited retail price points, and 72% cited vendor reputation as essential criteria for doing business.

While the best selling furniture carried an average price tag of $69.99, the range of prices was broad. The average low-end price point was $19.99, while the average high-ticket RTA item was $199.99.

In terms of category profitability, the average discounter said everyday furniture margins were 38%, dropping to 27% on promotion.

Wall storage or entertainment centers are the single most important type of RTA furniture offered in stores, said 40% of discounters surveyed. Microwave furniture ranks second, with 28% of respondents considering it essential to RTA sales.

Partly because of the sales of microwave stands and partly because some discounters haven't established a separate furnishings department, housewares departments were cited by 48% of respondents as the area used to merchandise furniture.

(continued on page 43)

Discounters Rate Quality as Key Factor In Buying RTA

Manufacturer's Defective Rate	92%
Product Quality	92
Retail Price Points	76
Manufacturer Reputation	72
Past Experience with Manufacturer	68
Manufactured in U.S.	36
Consumer Advertising Support	24
Availability of Co-op Advertising	20
In-store Servicing	16

Source: Lebhar-Friedman Research/DSN

RTA Furniture Gains In Quality, Acceptance

(Continued from page 41)

Prior to this renovation, "if you had a sample, you couldn't display it in the same exact square footage as you stored it," said Jan Clausing of Clover. So far, 11 or 12 of the chain's stores have the new RTA look, with four or five more locations scheduled for renovation.

Jamesway, the 106-unit, New Jersey-based discount chain, also elevates its RTA furniture on a 3-ft. high display with packaged goods underneath.

And some discounters that used to show just a few "items," now have 200 running feet of complete lines showing in their stores, RTA suppliers said.

From KD to RTA

Ready-to-assemble furniture has come a long way from its former knock-down (KD) fringe category of just 10 years ago. Reflected even in the name itself, a dramatic change has taken place in the category, particularly in the last several years.

KD, which carried a negative connotation, was perceived by shoppers as cheap, boxy storage units. In contrast, RTA reflects consumer trends toward better quality and a good value in furniture that can be easily assembled at home. Much of RTA furniture has been upgraded to the point of competing with some "real" preassembled furniture. And this is only beginning.

"I think just changing the name from KD to RTA helps the industry," said Clausing.

Several manufacturers cited the European market as an example of what is to come here. One vendor put it simply when he said, "European RTA looks like 'furniture.' They've had hidden fasteners for 10 years."

In the U.S., RTA furniture makes up somewhere between 4% and 6% of the furniture business. In Europe, however, RTA comprises a steady 30% to 36% of the furniture marketplace. And manufacturers here hope to catch up by making RTA products that look good and are reasonably priced.

Frank Aquila, of Affordable Furniture, Dowagiac, Mich., said, "The business has doubled in the past five years" and predicted, "It will double again in the next five years." His company has prepared for this growth by expanding facilities, investing almost $20 million in two years.

Foremost Furniture, a division of Sauder Woodworking, Archbold, Ohio, has tripled its warehouse space in the past few years to accommodate the growing demand, in addition to upgrading its overall operations. "We're meeting the customer's needs with a value product that's easy to assemble with good instructions and a warranty," said president Maynard Sauder.

Paul A. Gusdorf, chairman of the board at Gusdorf Corp., St. Louis, said, "The industry has progressed in the past several years more than it has in the past 10 to 15 years. And, in the last 10, as much as in the past 50."

Gusdorf began making so-called "lifestyle" furniture a few years ago: bedroom dressers and cocktail and end tables. He said the new variety and quality make the goods

(Continued on page 44)

	Currently	Next 12 Months
Oak	88%	72%
Walnut	28	16
Pecan	4	4
White Solid	—	12
Black Solid	—	—

RTA Stock Increased

(Continued from page 41)

In addition, 44% said sales are made through a furniture department. Juvenile, consumer electronics and hardware were other departments where discounters positioned furniture.

Imports were stocked by 80% of the top discounters questioned. On average, 13% of the RTA category was comprised of imported furniture.

As for brands carried, Foremost Furniture was cited by 68% of the discounters surveyed; O'Sullivan Industries was stocked by 32%; Affordable Furniture was carried by 28%; Gusdorf was mentioned by 20%, and American Forest Products, 16%.

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K mart Thinks Banks, Rethinks Merchandising

K mart to Add Bank Services in 150 More Stores

TROY, Mich. — In a major expansion of its financial services operation, K mart plans to add leased banking centers in 150 stores this year, giving the discounter more than 450 units that offer banking service.

This year's expansion, more than double the growth rate of the past, puts K mart well on the road to reaching the goal set by Bernard M. Fauber, chairman and chief executive officer, to have at least 1,000 stores offering financial services by 1990.

While K mart was expanding it financial services, it was phasing out a test mutual fund program being offered in The Mortgage Place mortgage financial center in four New Jersey K marts. The new tax law made mutual funds a less desirable investment, a K mart spokesman said.

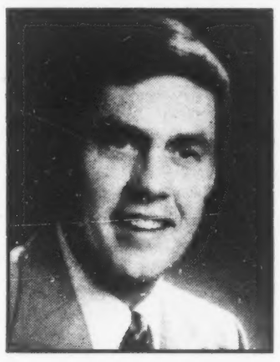
The 150 new banking centers, offering convenience banking services such as savings accounts, will be operated by the San Francisco-based First Nationwide Bank, a subsidiary of the Ford Motor Company. First Nation-

(Continued on page 62)

Reorganization Sharpens Hard Goods Operations

TROY, Mich. — K mart has restructured its six merchandising divisions to sharpen its hard goods operations. The result will be "less cluttered" and less redundant hard goods departments in K mart stores, many of which are undergoing renovations.

To oversee the realigned merchandising divisions, K mart promoted James Moser, 47, vice president of sales and general merchandise, to the new position of vp, merchandise systems coordinator for K mart stores. Moser, who reports to Larry Parkin, executive vp for U.S. K mart stores,



James Moser

also will be responsible for the introduction and utilization of new point of sale data in hard goods.

The new divisions, which represent a major change in how K mart looks at its merchandise mix, are more closely matched to their appropriate buying and merchandising functions.

(Continued on page 62)

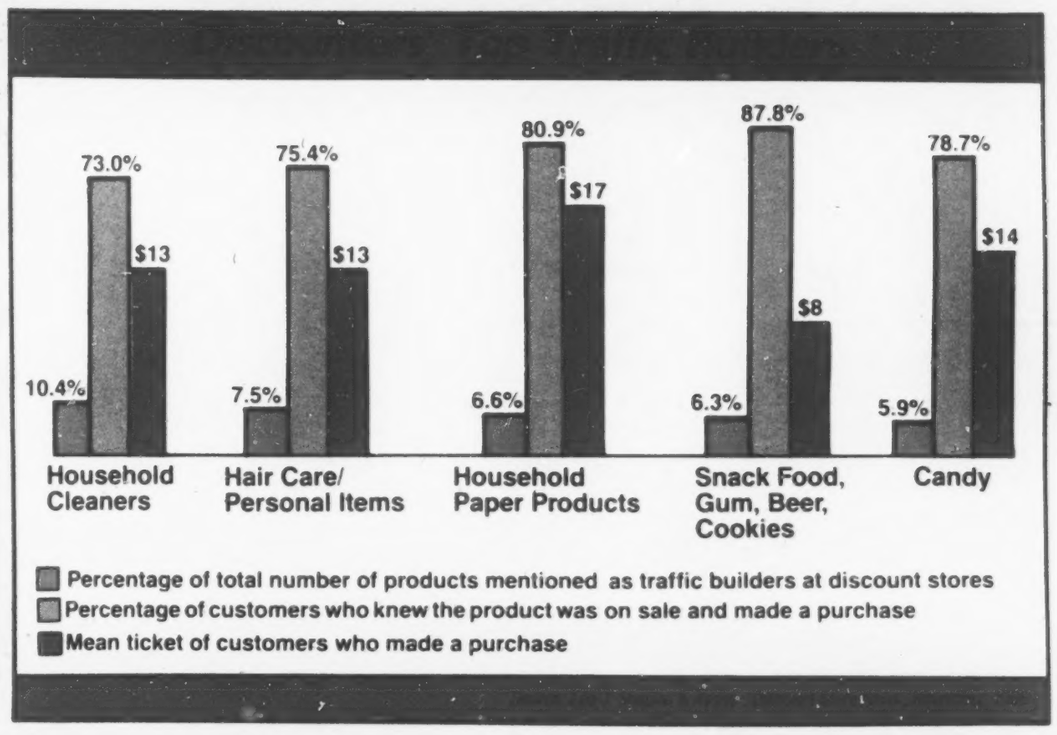
Traffic Builders Survey Pinpoints What Works

Nationwide DSN Report

Traffic building products are the lifeblood of discount stores, which are using promotions to draw customers far more heavily than mass merchants, department stores or specialty outlets.

The top traffic building products at discount stores, found a new survey commissioned by *Discount Store News*, are household cleaners and paper products, personal care items and edibles *(see chart)*. These items produced a sale among at least seven out of 10 shoppers who were attracted to the store by an ad for these products. Through add-on purchases, these shoppers rang up mean tickets ranging from $8 to $17.

In a special report starting on page 17, *DSN* examines how various retailers are using promotions, identifies the top traffic building product categories and brands, and analyzes the efficiency of different promotions.



Retailers Face Higher Use Fees in '88 Budget

WASHINGTON — The fate of the President's record trillion-dollar budget proposal for fiscal year 1988 now rests in the hands of the 100th Congress, and it will be up to Congress to decide whether discounters and other retailers will be subject to new government user fees and additional Social Security payroll tax contributions.

Although the Administration's request for $1.024 trillion contains no new taxes for fiscal '88, it does propose several "revenue changes" estimated to increase Federal receipts by $6.1 billion in 1988.

Included in these revenue changes is a proposal to require discounters with in-house food-service operations and other employers to pay the employer portion of the Social Security Payroll Tax on the total amount of employees tip income. Under current law, employers are not required to pay a portion of Social Security tax for employees' tip income as it is considered a benefit. This proposal would raise an estimated $200 million during fiscal '88.

Another revenue raiser contained in the Administration's budget are user fees for certain government services ranging from U.S. Customs inspections to Federal meat and poultry inspections.

"Those who receive special Federal services—not the

(Continued on page 61)

Entertainment Livens Teleretailing; Format Extends TV Shopping Reach

By ARTHUR MARKOWITZ
Nationwide DSN Report

Teleshopping this week jumped into still another marketing format: talk/entertainment and game shows in which home viewers—and even studio audiences—can purchase the merchandise being featured on the programs.

This new phase in teleshopping, which uses Hollywood hoopla for the first time to sell merchandise, will extend video retailing to the largest possible mass viewing audience, the 87 million-plus households in the nation that have TV and can receive regular UHF and VHF broadcasts.

Up to now, teleshopping has involved simply produced shows and has had a much more limited reach, available mainly on cable TV. About 42 million households are hooked into cable systems, with the dozen current full-time and part-time teleshopping shows reaching an estimated 20 million cable households.

The three talk/entertainment and game shows also mark the entry of Hollywood conglomerates and TV networks into the teleshopping field, with these companies joining forces with current video retailers to produce the new mass marketing programs.

The entertainment companies are turning to TV celebrities to host the new video shopping shows and attract the largest possible viewing audiences. The talk/entertainment and game formats mean these programs can be broadcast at any time by any commercial TV station, particularly local independent stations looking to counter program against network shows.

The show, which debuts Jan. 19 on over 50 stations, is *ValueTelevision*, a talk/entertainment show that is a joint venture of Fox Television Stations, Lorimar-Telepictures, an entertainment conglomerate, and The Hanover Companies, a subsidiary of Horn and Hardart, that already produces a teleshopping show being carried by the Tempo cable network (see *DSN*, Jan. 5, p. 3.).

The pilot program of the *Home Shopping Game* has been shown at two television industry conventions, with the show due to be aired start-

(Continued on page 61)

Traffic Builders Survey

MARKETWATCH

Wal-Mart VP Addresses NMRI

NEW YORK — Wal-Mart executive vice president of merchandising and sales, Al Johnson, will be the opening speaker at the National Mass Retailing Institute's (NMRI) 15th Annual Advertising Conference. Johnson, who will speak on the discounter's "Buy America" program, will join John Ganett, marketing consultant for Stanford Research Institute, and Jim Hollis, former head of advertising for K mart, as guest speakers. The conference is slated for March 11 through 13 at the Sheraton Hotel in Bal Harbour, Fla.

Bar Coding Seminars Scheduled

PITTSBURGH — The Automatic Identification Manufacturers Inc. (AIM) will help present technically advanced programs on bar coding as part of the American Management Association's educational seminars. The bar coding seminars will be held in New York, April 23 to 24; Chicago, May 18 to 19, and Atlanta, June 8 to 9. To attend a seminar, contact AIM, 1326 Freeport Road, Pittsburgh, PA 15238. Phone: (412) 963-8588.

American Wholesale Opens Unit

RICHARDSON, Tex. — American Wholesale Club will open a 105,000-sq.-ft. membership warehouse near the Town East Mall in the Mesquite suburb of Dallas/Fort Worth this spring as its second store. The company projects that the first year's sales for the new club will reach $40 million, the same rate at which volume at its Plano, Tex., unit is running.

Cable Value Holiday Sales Soar

MINNEAPOLIS — Cable Value Network (CVN), the leading cable teleshopping service, averaged over $1 million in sales on some days during the Thanksgiving-Christmas holiday period. CVN president Peter Barton said the holiday sales "met and exceeded the expectations," of the seven-month-old teleshopper whose programming reaches over 10 million households. CVN, which is jointly owned by closeouter C.O.M.B. and a consortium of 23 cable TV systems, expects to hit $600 million in sales this year.

Last of Mr. HOW Units Sold

NASHVILLE — Service Merchandise, the catalog showroom chain based here, has disposed of the remainder of its home center stores by selling two Mr. HOW Warehouses in Cinncinnati and two in Nashville to Central Hardware, a hardware and building material chain based in Bridgeton, Mo., for an undisclosed sum.

Service, which just one year ago operated 27 Mr. HOW Warehouses, previously sold five of the home center outlets in Chicago to Handy Andy Home Improvement Centers, a Gurnee, Ill., chain, and 12 other Mr. HOWs in several markets to Builders Square, K mart's warehouse home center subsidiary. Raymond Zimmerman, Service's chairman and president, said that former Mr. HOW units in Chattanooga, Tenn., Oklahoma City, Okla., two in Jacksonville, Fla., and two in Cinncinnati all have been closed.

Acquisition of Zale Completed

TORONTO — Peoples Jewelers Ltd. and Swarovski International Holdings A.G. announced they have completed their acquisition of Zale Corp. through a limited partnership indirectly owned by them. P.S. Associates, the partnership, completed its cash tender offer for all outstanding shares of Zale's common stock at a price of $50 per share. The companies reported that about 10.4 million shares had been tendered by the Dec. 24 deadline.

Irving Gerstein, president of Peoples, was elected president and ceo of Zale. All the other Zale directors, except Gerstein and two other Peoples representatives on the board, resigned. A new board will be organized consisting of an equal number of Peoples and Swarovski appointees.

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Cohoes Names a President; Restructures Executive Suite

COHOES, N.Y. — Cohoes Specialty Stores, an off-price chain of apparel, shoes and accessories for men and women, has named a president as part of a management restructuring.

M. Ronald Ruskin will assume the newly created position of president and chief operating officer of Cohoes, starting Feb. 1. He will also be a vice president and board member of Cohoes' parent, E. A. Sanford and Company.

Ruskin previously had been president of BATUS Retail Group, which owns Saks Fifth Avenue and Marshall Fields among other stores. His background also includes stints as chairman and ceo of Gimbels and as president of May D & F in Denver.

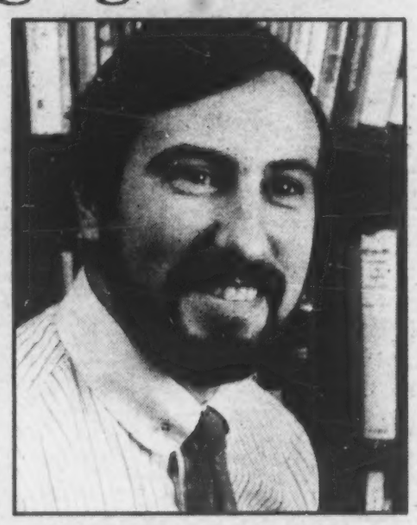
Ruskin's appointment, along with two other management changes, was made to strengthen the organization as it tackles an aggressive expansion plan, chairman Sanford J. Zimmerman said in an announcement. This year, new Cohoes units are set to open in Princeton, N.J., and in two undisclosed cities. The company also is building a 16-store center called Cohoes Commons next to its flagship store here.

The other management changes are the promotion of Jerome Sykes, executive vp, to vice chairman. A former executive vp of Filene's, Sykes will replace the current vice chairman, Ben E. Ames, who retires next month. Ames was Zimmerman's partner in acquiring the Cohoes operation in 1979.

Harry C. Kleinman, vp, finance, at Cohoes, was promoted to senior vp and chief financial officer.

Cohoes operates six stores in Cohoes, N.Y.; Hartford, Conn.; Providence, R.I.; Rochester, N.Y.; Woodbridge, Va., and Atlanta. The retailer buys current goods at the same time as department stores, but low overhead enables the chain to sell at lower retail prices, a spokesman said.

Discount Store News Picks Managing Editor



NEW YORK — *Discount Store News* has named Donald Longo to the position of managing editor.

Longo joined Lebhar-Friedman, parent of *DSN* and other retailing publications, in 1981 as a desk editor on *Nation's Restaurant News*. He was promoted to managing editor of *National Home Center News* a year later.

For the past 18 months, Longo had served *NHCN* as a senior editor, reporting on major chains, retail systems and operations, along with covering several merchandising beats, including hardware and lawn and garden.

Longo, 32, reports to *DSN* executive editor Tony Lisanti.

DSN 25th ANNIVERSARY TRIVIA QUIZ: 1963

In 1963, the second year of DSN, *the shakeout of marginal discount chains continued, as traditional retailers developed discount arms. Looking ahead, Zayre's treasurer Sumner Feldberg predicted the emergence of "small one-to-ten unit chains . . . plus giants of 50, 100 even 200 store units . . . ."*

DSN *invites you to test your recall of industry events of 1963 with the questions that follow. As part of our 25th anniversary,* DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, including your name, address and telephone number, on standard letterhead, and mail to:*

Quiz Editor—1/19
Discount Store News
425 Park Avenue
New York, N.Y. 10022

Winners will be announced in a future issue.

1. TV-advertised toys dominated discounter toy sales in 1963. In fact, TV toys outsold the second largest category by:
a) 2 to 1;
b) 4 to 1;
c) 7 to 1.

2. The second heaviest selling toy category after TV toys that year was:
a) dolls and accessories;
b) wheel goods;
c) plush toys.

3. Trading stamps made a brief, but active, flurry for many leading discounters. According to estimates, what increase in total business was needed to cover the cost of the stamp programs?
a) 7%;
b) 10%;
c) 15%.

4. Among the fledgling discount arms of traditional retailers was Kresge's K mart, with 25 units. The vice president in charge of that division was:
a) Harry B. Cunningham;
b) C. L. Yohe;
c) Lester Davis.

5. Zayre did $18 million in 1957, its first year. By 1963, with 48 stores, the New England-based discounter had sales of:
a) $80 million;
b) $120 million;
c) $200 million.

6. Productivity standards in 1963 bore no resemblance to those of today. As an example, the average K mart unit back then was planned to do:
a) $2 million;
b) $3.5 million;
c) $4 million.

7. The July 29, 1963 issue of DSN *reported that discounters had snared a huge percentage of total U.S. drug and H B & A business, according to A.C. Nielsen. That amount was:*
a) 4%;
b) 7%;
c) 9%.

8. DSN*'s 1963 Census issue identified the top volume department for the industry, with $504 million in sales, as:*
a) housewares;
b) shoes;
c) toys.

9. In that 1963 census year, the most heavily stored state, with 205 stores, was:
a) New York;
b) Ohio;
c) California.

10. The city with the most discount stores (132) that year, however, was not in that state. The most stored city was:
a) Chicago;
b) Philadelphia;
c) Los Angeles.

11. Leased departments had begun to tail off in 1963. The leased department with the highest incidence was:
a) millinery;
b) shoes;
c) supermarket.

12. The department that got the largest amount of floor space that year (4,000 sq. ft.) was:
a) hardware;
b) toys;
c) housewares.

Traffic Builders Survey

Household cleaners and paper products, personal care items and edibles like food and candy were the biggest traffic building categories for discount department stores, according to *DSN*'s new survey of traffic building products and promotions. Other leading product categories for drawing shoppers into discount stores were toys, home storage, home care and women's shoes and sleepwear.

Shoppers Pick Top Promo Items

Discount Store News' first annual Traffic Builders study was conducted by the Chicago-based research and marketing firm Leo J. Shapiro and Associates. It entailed polling 2,082 shoppers in seven markets, who were to shop in nearly 4,178 stores during a 10-day period last October.

This special report examines:

- Top traffic building product categories and brands and the extent to which different types of retailers depend on promotional items to draw traffic;
- The efficiency of promotions of different retailers and different product categories at attracting new customers;
- How successful different product categories are at generating a purchase and encouraging additional spending;
- Shoppers' responsiveness to promotions.

In addition, *DSN* breaks out data on traffic building in the three sections—Apparel, Home Products and Hard Lines.

This report was written by John Caulfield, a retail industry reporter who is currently senior editor/merchandising for *DSN*'s sister publication, *National Home Center News*.

Discounters Utilize Promos More For Draw Than Other Retailers

Nationwide DSN Report

Discounters are relying far more heavily on promotions to draw customers into their stores than do mass merchants, department stores or specialty outlets.

And it appears as if shoppers are more aware of promotions when they are run by discount stores than when other types of dealers put their merchandise on sale, finds an exclusive study that *Discount Store News* commissioned.

While discount stores can lure in customers with lower-ticket items such as household goods, automotive supplies, candy and toys, they are less able than their retail counterparts, however, to attract consumers' attention when it comes to promoting other merchandise, particularly women's and children's clothing.

In addition, there is a wide disparity among retailers in general and various discounters in particular as to the level of awareness consumers have about their respective promotions. This is an important distinction, because apparently a strong correlation exists between knowledge about promotions and shopping frequency among consumers.

Consequently, discounters have the opportunity to capitalize on their promotional acumen to use a wider selection of higher-end items to increase the average sales per shopper propelled by advertised specials.

(Continued on page 18)

TRAFFIC BUILDERS SURVEY

Discounters Rely More on Promos Than Other Retailers

(Continued from page 17)

These and other findings emerged from the first annual study on traffic building products and promotions commissioned by *DSN* from the Chicago research firm, Leo J. Shapiro & Associates. Nearly 2,100 consumers were interviewed over a 10-day period last October regarding their awareness of different stores' promotions.

The purpose of the survey, as defined by George Rosenbaum, vice president, Leo J. Shapiro & Associates, was to "get consumers to enumerate the stores they visited and find out if they knew of a special before coming." The polling also examined how much consumers spent, how many visits they made to a store in a given period and whether they bought what they came for.

Its conclusions focus on how productive these promotional items were at generating dollars for different types of retailers.

Housewares, Consumables Noted

Consumer responses demonstrate that consumables and household products were the biggest traffic builder categories for discounters *(see table 1)*.

Consumer responses demonstrate that consumables and household products were the biggest traffic builder categories for discounters.

Nearly 13% of all the mentions of promoted products by consumers who were going into a discount store fell into categories of consumables such as candies or beverages like beer.

In addition, about 10% said they knew that household products were being promoted by the discount unit, followed by hair care products (7.5%) and home care products such as light bulbs and leaf bags (4%).

Looked at another way, of the 51 top product categories consumers knew were on sale at all retail outlets, the highest percentage of mentions for 37 of those categories were by discount shoppers. For example, there were a total of 43 mentions by shoppers who knew toys and games were on sale in the store they were about to enter; 38 of those mentions were from consumers going into a discount unit.

But Clothes Bought Elsewhere

This is not to say, though, that discounters' promotions dominated every product group in which consumers were aware of a promotion.

Of the 229 shopper awareness mentions of promotions at Sears & Roebuck, J. C. Penney and Montgomery Ward, the highest number, 30, were for sheets, comforters and bedspreads, compared to a 2% mention level of these products at discount stores.

For department stores, the most-mentioned promoted category was women's blouses and shirts (which ranked 37th among the 51 items mentioned as being on sale at a discount store), while at other retail outlets, such as catalog showrooms and specialty outlets, women's sweaters arose as the item that shoppers were the most aware of being promoted. Women's sweaters accounted for less than 3% of the total mentions by discount store shoppers, whereas it made up close to 16% of the mentions from those shoppers designated in the study as "other" retail stores.

Categories Vary by Store

The knowledge among shoppers about which item is on sale and where it is sold presents some significant findings when broken down by store type.

Looked at strictly by ranking, household cleaners, hair care, home care, women's shoes and snacks and beverages were products whose promotions shoppers were most aware of at all stores.

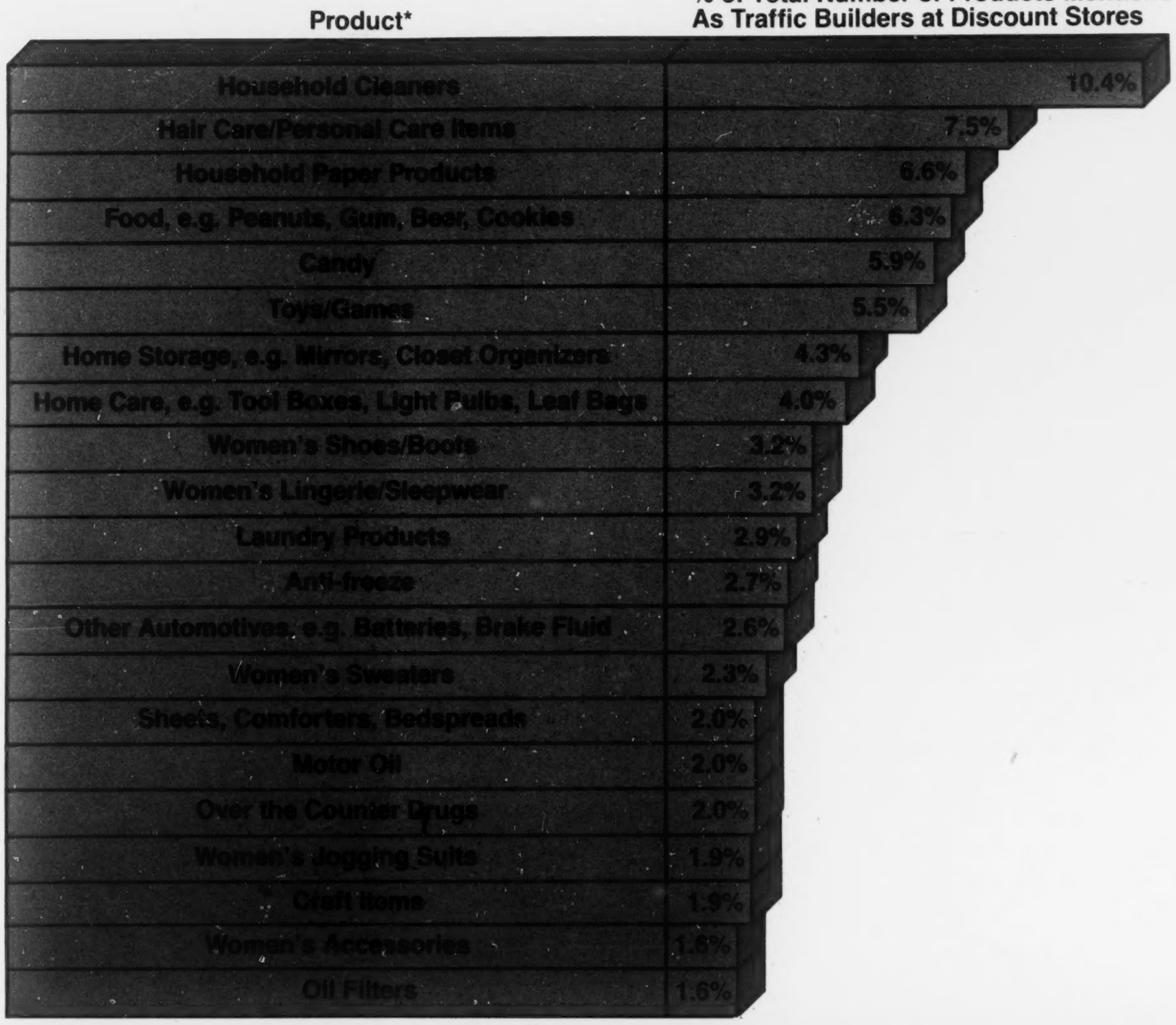
Shopper mentions of promoted products by discount stores, as noted above, does not differ that markedly from the overall responses. But compare these overall product rankings with those for mass merchants, where shoppers mentioned, in order of rank: bed linen, home care, window coverings, bath towels and women's lingerie as products they knew were on sale *(see table 2)*.

For department stores, the leading mentions were for women's blouses, infants' clothing, and cosmetics (which garnered only 42nd place among products mentioned as being promoted in all stores) and women's boots. Eight product categories tied for fifth in the department store ranking *(see table 3)*.

(Continued on page 22)

Table 1
Discounters' Top Traffic Builders

Household goods and edibles are the biggest traffic builders at discount department stores


Product*
% of Total Number of Products Mentioned As Traffic Builders at Discount Stores
Household Cleaners 10.4%
Hair Care/Personal Care Items 7.5%
Household Paper Products 6.6%
Food, e.g. Peanuts, Gum, Beer, Cookies 6.3%
Candy 5.9%
Toys/Games 5.5%
Home Storage, e.g. Mirrors, Closet Organizers 4.3%
Home Care, e.g. Tool Boxes, Light Bulbs, Leaf Bags 4.0%
Women's Shoes/Boots 3.2%
Women's Lingerie/Sleepwear 3.2%
Laundry Products 2.9%
Anti-freeze 2.7%
Other Automotives, e.g. Batteries, Brake Fluid 2.6%
Women's Sweaters 2.3%
Sheets, Comforters, Bedspreads 2.0%
Motor Oil 2.0%
Over the Counter Drugs 2.0%
Women's Jogging Suits 1.9%
Craft Items 1.9%
Women's Accessories 1.6%
Oil Filters 1.6%

*Top 21 of 51 products mentioned

Source: Leo J. Shapiro & Assoc. Discount Store News, November 1986

Table 2
Mass Merchants' Top Traffic Builders

Domestics are the biggest traffic builders for mass merchants

Product	% of Total No. of Products Mentioned as Traffic Builders
Sheets, Comforters, Bedspreads	13.1%
Home Care, e.g., Tool box, Light Bulbs, Leaf Bags	6.6
Window Coverings	5.7
Bath Towels	5.2
Infants & Toddlers' Clothing	4.8
Women's Lingerie/ Sleepwear	4.8
Men's Outdoor Coats/Jackets	4.4
Women's Shoes/ Boots	3.9
Women's Blouses/ Shirts	3.5
Women's Jogging Suits	3.5

Source: Leo J. Shapiro & Assoc. Discount Store News, November 1986

Table 3
Department Stores' Top Traffic Builders

Apparel is the major traffic builder for department stores

Product	% of Total No. of Products Mentioned as Traffic Builders
Women's Blouses/ Shirts	19.5%
Infants & Toddlers' Clothing	9.8
Cosmetics	9.8
Women's Shoes/ Boots	7.3
Hair Care/ Personal Care Items	4.9
Candy	4.9
Women's Sweaters	4.9
Women's Jogging Suits	4.9
Women's Dress Pants/Slacks	4.9
Women's Skirts	4.9
Women's Jeans	4.9
Costume Jewelry	4.9

Source: Leo J. Shapiro & Assoc. Discount Store News, November 1986

Discounters Rely More on Promos Than Other Retailers

Table 4
Discounters' Top Traffic Builder Brands

Household cleaners, automotives and toy brands are top traffic builder names at discount department stores.

Brand*	% of Total No. of Brands Mentioned as Traffic Builders
Comet	8.7%
Prestone	7.9
Fisher Price	5.6
Tylenol	4.8
Bic	4.4
AC Delco	4.4
Lux	4.0
Eveready	3.6
Colgate	2.8
L'eggs	2.8
Vanish	2.8
Realemon	2.8
Arm & Hammer	2.8

* The top 48 brands accounted for 45% of all brands mentioned

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

(Continued from page 18)

Whereas men's outerwear ranked 28th in overall shopper mentions, it rated seventh among all items mentioned as being on sale at mass merchants' stores. Television sets overall ranked 47th, but placed 17th among the items known by consumers to be on sale at mass merchants.

Paint got the 14th highest number of mentions as a product on sale at mass merchants' units—obviously a reflection of Sears' aggressive position in the paint market—compared to an overall ranking of 34th.

One of the original findings in the Traffic Builders study that warrants further research was the quantification of discounters' heavy reliance on promotions, as compared with other types of retailers *(see table 5)*.

But discounters are using promotions to capture additional customers more intensely than any other type of retailer examined. Almost half of the shoppers going into a discount store—48.6%—said they knew a promotion was underway.

Table 6
Retailers' Use of Promotional Advertising

More than 8 out of 10 shoppers knew of a sale item before visiting Zayre, while fewer than 2 out of 10 Wal-Mart customers said they were aware of a sale before visiting that store.

Retailer	Type of Retailer	% Who Knew of a Sale Item Before Visiting Store
Zayre	Discount Dept. Store	82.2%
K mart	Discount Dept. Store	52.0
Venture	Discount Dept. Store	48.0
Montgomery Ward	Mass Merchandiser	43.9
Target	Discount Dept. Store	41.6
Sears	Mass Merchandiser	36.8
Penney	Mass Merchandiser	17.0
Wal-Mart	Discount Dept. Store	15.7

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

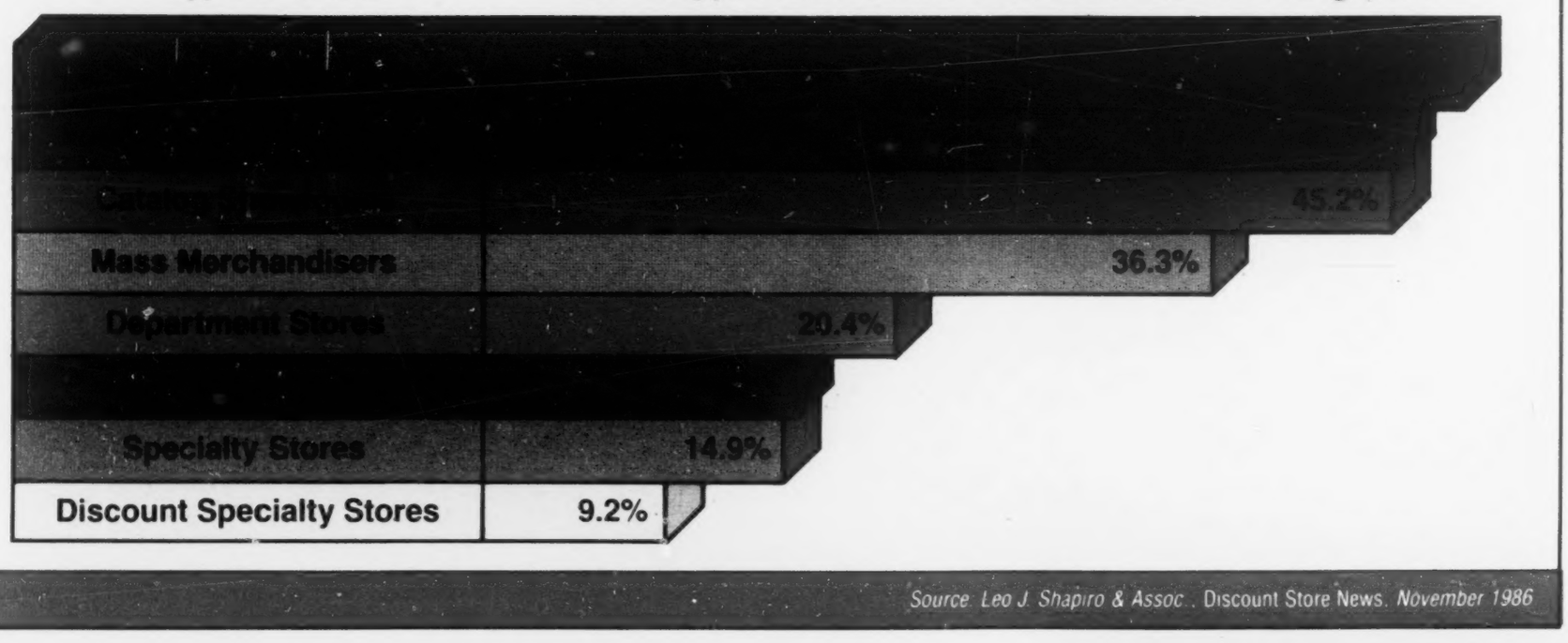
Less than 40% of shoppers, however, were aware of a specific product promotion before they went into a mass merchant's store. But only 20% of the shoppers of department stores said they knew of sale items at these stores, and less than 10% of shoppers of discount speciality stores could say they were aware in advance of a particular product on sale at these stores.

These overall responses are all over the board when broken down by chain *(see table 6)*. Slightly more than 50% of the shoppers going into a K mart knew of products that the store was promoting. But, 80% of shoppers knew about a sale at Zayre before going in.

Discounters are using promotions to capture additional customers more intensely than any other type of retailer examined. Almost half of the shoppers going into a discount store—48.6%—said they knew a promotion was underway.

Table 5
Dependence on Promotional Advertising

Discount department stores are using promotions to attract traffic more intensely than any other type of retailer studied.



Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

The percentages begin to fall off among other discounters. About 50% of Venture's shoppers were aware of advertised bargains, and 40% of Target shoppers said they knew in advance of a promotion at the store.

In contrast, only 16% of shoppers going into a Wal-Mart were aware that the store was holding a promotion.

Top Brands Listed

The study also asked consumers which brands on promotion they were most familiar with and revealed that the top 48 brands mentioned accounted for 45% of all responses *(see table 4)*.

Interviews also showed that promotional brand awareness for discounters ran across a number of category lines.

Comet (household); Prestone (antifreeze); Fisher-Price (toys); Tylenol (drugs); Bic (stationary, pens/markers); and AC Delco (automotives) were the brands most commonly recognized by consumers as being promoted by discount stores.

Lower-Price Promos Attract Frequent Discount Shoppers

Nationwide DSN Report

The lower-priced items discounters promote regularly have no trouble attracting frequent shoppers to their stores—but appear to lack the power to draw casual or infrequent customers.

Conversely, mass merchants and department stores have better success bringing in infrequent shoppers by promoting higher-ticketed goods such as clothing and domestics.

DSN's first annual Traffic Builders survey found that more than three out of every five shoppers aware of a store's promotion before they went into the unit were frequent customers of that store, meaning they visited the unit at least twice monthly.

For discounters, which promote more than any other store type examined in the study, more than three out of four of their promotion-minded customers were regular shoppers.

The only other retail store type where promotions were more likely to attract frequent, rather than infrequent, shoppers were drug stores, where two-thirds of the shoppers who knew of a sale had been in the store at least twice in a month.

For mass merchants, department stores, catalog showrooms and specialty outlets, the trend is the opposite of discount stores.

More than three-fifths of the consumers aware of a promotion at a

(Continued on page 27)

Table 7
Attracting New and Infrequent Customers

Mass merchants ever so slightly appear to be more successful at attracting first time and infrequent shoppers.

Retailer	Type of Retailer	% of New & Infrequent Shoppers Who Knew of a Sale Item Before Shopping Store*
Montgomery Ward	Mass Merchandiser	61.3%
Sears	Mass Merchandiser	58.9
Penney	Mass Merchandiser	58.1
Wal-Mart	Discount Dept. Store	41.9
Target	Discount Dept. Store	30.8
Zayre	Discount Dept. Store	29.1
K mart	Discount Dept. Store	20.9
Venture	Discount Dept. Store	16.7

* Customers who shopped a store less than twice a month

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

Shoppers Aware of Discounter Sales Buy More Add-on Goods

Nationwide DSN Report

The mean sales ticket generated by consumers coming into a discount store to buy a product on sale is lower than the mean ticket for mass merchants, department stores, catalog showrooms or specialty units.

When taking into account the retail price of the products that discounters and other retailers promote, it appears—based on mean ticket figures—that consumers who know of sales are more likely to buy other products in a discount store than they are when shopping at other types of retail outlets.

The more expensive the promoted item, the more likely it is to draw shoppers interested only in promoted goods and disinclined to buy anything else.

Data discovered during *DSN's* Traffic Builders study shows that consumers are shopping discount stores more regularly for lower-priced promoted items. But whereas other dealers may be getting the bigger single purchase, their promotional items apparently fail to prompt add-on sales to the degree that discount stores' promotions do.

Promos Heavily Bought

About 70% of those consumers who know a product was being sold on promotion actually bought the item, and the mean ticket of their total purchase was $35.

The study divides the 51 most-frequently mentioned products consumers knew were being promoted in order of their relative cost, and examines how often these products were purchased *(see table 9)*.

For example, household cleaners, which customers most frequently mentioned as a promoted product, were purchased by these shoppers 73% of the time, but generated a mean ticket of only $13. But relatively inexpensive motor oil was bought by 75% of the customers who knew it was on sale, and generated a mean ticket of $37, which shows how well this category is able to produce add-on purchases.

Price Affects Add-on Sales

Among mid- and higher-priced product categories, a trend develops wherein customers buy only the item that they saw on promotion. Eighty percent of customers aware of promotions on toddlers' wear actually bought the product but spent only $19; nine out of 10 purchased small kitchen appliances they knew were promoted, but paid a mean ticket of only $47; more than 75% bought stuffed animals whose promotions they knew of, but the mean ticket of those customers was $33.

This trend becomes most evident when examining more stylish items like furniture (bought by 85.7% of those knowing it was on sale but generating a mean ticket of $285); fine jewelry (58.3%, $332); and microwave ovens (71.4%, $173). The study's findings demonstrate that the more expensive the item being promoted, the more likely it is to draw shoppers interested only in the promoted goods and disinclined to buy anything else.

These figures need to be placed within the perspective of each store's merchandising and marketing

(Continued on page 28)

Table 9

Tickets Generated by Traffic Builders

Among selected low cost items, cosmetics generated the highest mean ticket, while children's clothing among middle-priced items and fine jewelry among high-priced items generated the biggest tickets

Product That Shopper Knew Was On Sale	% Who Made a Purchase	Mean Ticket
Low Cost Items		
Cosmetics	77.8%	$ 39
Motor Oil	75.0	37
Antifreeze	84.2	28
Automotives, e.g., Batteries, Brake Fluid	85.7	26
Home storage, e.g., Mirrors, Closet Organizers	79.5	24
Household Paper Products	80.9	17
Laundry Products	90.5	17
Middle Cost Items		
Children's Clothing	75.0%	$ 53
Home Care, e.g., Tool Boxes, Light Bulbs, Leaf Bags	72.0	51
Small Kitchen Appliances	90.9	47
Men's Dress Pants/Slacks	83.3	41
Women's Blouses/Shirts	71.4	37
Women's Sweaters	60.9	36
Sheets, Comforters, Bedspreads	73.3	36
Highest Cost Items		
Fine Jewelry	58.3%	$332
Televisions	50.0	285
Upholstered Furniture	85.7	267
Microwave	71.4	173
Tires	37.5	154
Hard Furniture	66.7	113
Women's Jeans	60.0	93

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

Table 8

Effectiveness of Product Promotions

When promoted, larger ticket items like sheets & apparel tend to attract more new and infrequent traffic, while small tickets like household goods generate more trips from current customers

All Who Knew of a Sales Item and Were Coming to Shop For:	Customers Who Shop at This Store:	
	Often*	Not Often
Household Cleaners	70.3%	29.7%
Hair Care/Personal Care Items	83.6	16.4
Home Care, e.g., Tool Boxes, Light Bulbs, Leaf Bags	40.0	60.0
Women's Shoes/Boots	59.2	40.8
Food, e.g., Peanuts, Gum, Beer, Cookies	73.5	26.5
Household Paper Products	83.0	17.0
Candy	83.0	17.0
Women's Sweaters	60.9	39.1
Sheets, Comforters, Bedspreads	48.9	51.1
Toys/Games	60.5	39.5
Home Storage, e.g., Mirrors, Closet Organizers	61.5	38.5
Women's Lingerie/Sleepwear	61.1	38.9
Women's Blouses/Shirts	42.9	57.1
Women's Jogging Suits	62.5	37.5
Infants & Toddlers' Clothing	45.8	54.2
Women's Outdoor Coats/Jackets	57.1	42.9
Women's Dress Pants/Slacks	76.2	23.8
Laundry Products	85.7	14.3
Automotives, e.g., Batteries, Brake Fluid	76.2	23.8
Window Coverings	60.0	40.0
Motor Oil	60.0	40.0

Shopping twice a month or more Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

Lower-Price Promos Attract Frequent Discount Shoppers

(Continued from page 22)

mass merchandiser said they had been in these stores less than twice over the past month; nearly seven out of 10 consumers who knew of a department store's promotions were infrequent shoppers; and nine out of 10 shoppers who said they were aware of a sale at a catalog showroom had been there less than twice in a month.

Wards (61.3%), Sears (58.9%) and Penney (58.1%) offer promotions that appear to be successful at attracting first-time and infrequent shoppers *(see table 7, page 22)*.

The study broke down shopping frequency by product category and found that domestics, cosmetics, apparel, furniture and jewelry are promotions that attract new or infrequent traffic, while small ticket merchandise may be better at generating more trips from existing customers *(see table 8)*.

But the study found rare exceptions to this rule. For instance, three in five customers aware of a store's promotion on low-priced home-care products, such as tool boxes and light bulbs, were infrequent shoppers of that store. By and large, however, the higher-end items seem to lure the customer making a special visit.

On the surface, this finding would appear to present competitive problems for discounters, whose lead promotional items, such as household goods, hair care products and candy, are low-priced goods and are drawing mostly frequent shoppers to their stores. And when discounters promote higher-priced goods like women's shoes, only around 9% of those consumers aware of the promotion were infrequent shoppers.

Discounters are sacrificing promotions on big ticket goods in favor of promoting items that draw their regular shoppers—who usually buy more than what they came for.

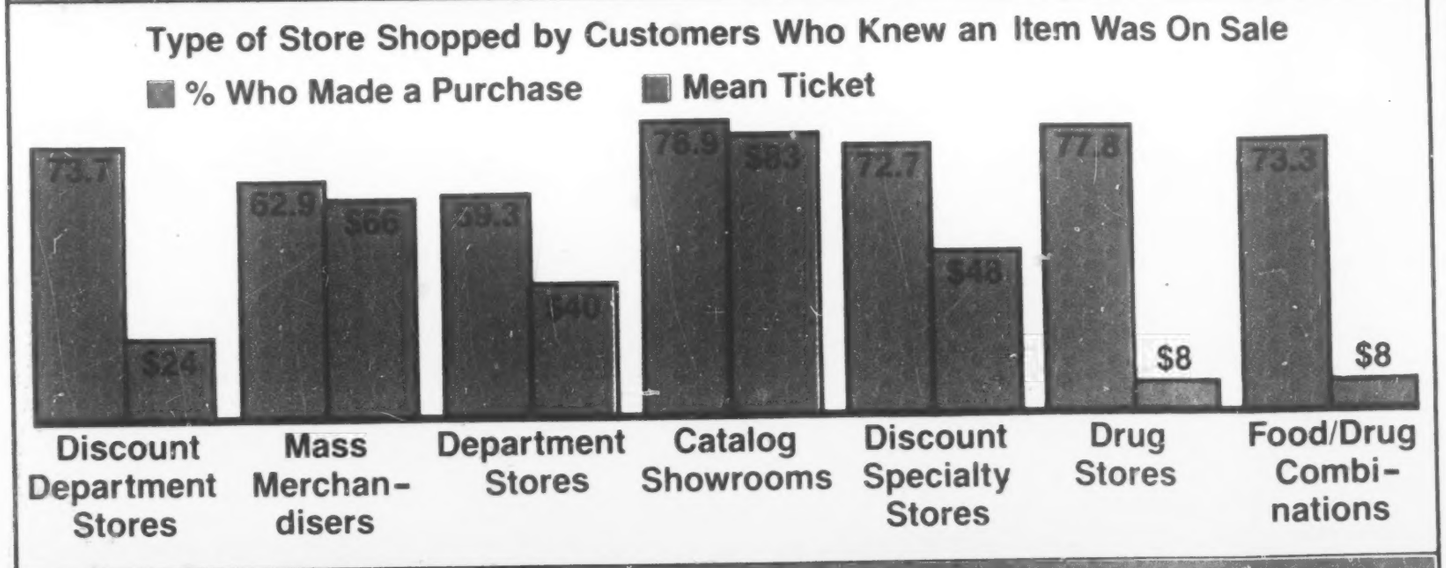
As other sections of the study show, however, it is likely that a customer coming into a discount store to purchase a cheaper product on sale will add to that purchase with other items, whereas if, say, a woman makes a special trip to a department store to buy a shirt on ad, it's less likely that she'll buy anything else.

Consequently, it appears that discounters, in their marketing strategy, are sacrificing promotions on big ticket goods that bring in the infrequent shopper in favor of promoting those items that draw their regular shoppers—who usually buy more than what they came for.

TRAFFIC BUILDERS SURVEY

Table 10
Tickets Retailers Garner from Their Traffic Builders

Drawn by promotions, discount store shoppers tend to make a purchase, but their mean ticket is generally lower than for many other types of retailers



Source: Leo J. Shapiro & Assoc. Discount Store News, November 1986

Aware Shoppers Buy More Add-on Goods

Table 11
Total Ticket Generated by Traffic Builders at Discount Stores

Zayre and Venture have the highest purchase incidence, while Wal-Mart shoppers attracted by a promotional item made purchases less often

Store Shopped by Shoppers Who Knew a Product Was On Sale	% Who Made a Purchase	Mean Ticket
Zayre	86.7%	$36
Wal-Mart	58.1	29
Venture	87.5	28
Target	61.5	27
K mart	72.0	18

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

(Continued from page 27)
thrust, however. Obviously, discount stores, whose promotions of lower-priced fare cater to frequent shoppers, appear to be generating more add-on sales than department stores, catalog showrooms and mass merchants. In contrast, promotions at these retailers focus on higher-priced goods with price points that consumers are more likely to compare with many different outlets for a specific purchase *(see table 10)*.

Discount stores, whose promotions of lower-priced fare cater to frequent shoppers, appear to be generating more add-on sales than department stores, catalog showrooms and mass merchants.

Useful conclusions come from comparing the buying patterns among different discounters—whose promoted products are bought by savvy consumers about 75% of the time—and their respective abilities to use promotional items to generate higher ticket sales.

Shoppers of Zayre, who registered a higher level of promotional awareness than shoppers of any other discount chain, buy items on sale at Zayre's stores more than 86% of the time. They purchase products valued at a mean of $36, $12 higher than the mean for discounters as a whole *(see table 11)*.

Venture, whose customers showed considerably less awareness about its promos, nevertheless, was able to sell its advertised items to knowledgeable consumers 87.5% of the time, although the mean ticket was $28.

Shoppers who knew of promotions at K mart made the purchase slightly more than seven out of 10 times, but the mean ticket was $18.

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Automotive and Consumer Group

Miscellaneous Items Draw Well, Produce Fewer Add-on Sales

Nationwide DSN Report

Hair care, candy, and other consumables such as snacks and beer, are vigorously promoted by discounters. These items are particularly successful at bringing in regular customers but produce less in the way of add-on purchases by consumers who are aware of sales on these items, found the *DSN* Traffic Builders Survey.

Miscellaneous products, such as flowers, over-the-counter drugs, cosmetics and jewelry, that fail to fit into any of the three product categories cited in this report don't automatically lend themselves to encouraging add-on sales, although some of these do attract new customers to stores conducting the promotions.

And it appears as if department stores are seeking to carve out a promotional niche for themselves by advertising items that neither discounters nor other retailers appear interested in promoting.

It appears as if department stores are seeking to carve out a promotional niche for themselves by advertising items that neither discounters nor other retailers appear interested in promoting

Discounter Ads Recognized

DSN's Traffic Builders study found hair care to be the second most frequently mentioned category about whose promotions consumers shopping all stores were aware. It ranked second in mentions by discount stores customers.

The category designated by the study as "other foods" (such as snacks and beer) ranked fourth for all stores and for discounters in total mentions, followed by candy, which got the fifth highest number of mentions by shoppers aware the product was on sale at a discount store.

Mass merchants do not appear to promote extensively the 12 products in this grouping except for fine jewelry, which ranked 14th among those items shoppers knew were being promoted by mass merchants (compared to a 31st ranking overall).

But department stores and other retailers such as specialty outlets and catalog showrooms appear to be using some of the products in this group against the promotional grain of their competitors. For example, cosmetics received the second highest number of promotional mentions by shoppers of department stores, although the category rated 42nd overall and 50th for discounters as one that shoppers knew was being promoted.

Costume jewelry fits into the same mold. For shoppers who knew about a promotion, the category ranked 47th overall and 37th for discounters; department store shoppers placed it fifth.

The promotions by other retailers, which includes catalog showrooms, specialty houses and drug combo units, rang up relatively high consumer awareness quotients for items such as candy and other foods along with fine jewelry (which ranked 11th in mentions for these stores but only 31st overall and 78th for discounters.).

Aware of Promotions

For the most part, products cataloged in this miscellaneous grouping were known to be on sale more often by frequent shoppers. This is particularly true when discounters advertise these items.

More than 8 of 10 consumers who knew a store had hair care items on promotion had been to that store at least twice in the past month, a percentage that holds firm when discount shoppers are broken out of the mix.

(One of the more unusual findings in the study showed that 90% of those knowledgeable about specials on "other" drug/personal care items like vitamins and safety swabs went to the promoting store frequently, whereas less than two thirds of those who knew of an over-the-counter drug promotion were regular shoppers.)

Frequent shoppers also were more likely to be aware of promotions on candy and other foods, flowers and costume jewelry.

But new shoppers are the bargain hunters when it comes to fine jewelry (two thirds of those who knew of a cosmetics special said they had visited the store infrequently), cosmetics (more than half were new shoppers),

(Continued on page 32)

TRAFFIC BUILDERS SURVEY

Older Shoppers Pay More Attention to Ads, Monitor Spending

Table 12
Shopper Profile

Older shoppers are more sensitive to sales and promotions, but roughly the same proportion of men as women say they knew of an item on sale

Age	% of All Shoppers Who Knew of Sale/Special	% of Men Shoppers Who Knew of Sale/Special	% of Women Shoppers Who Knew of Sale/Special
Under 25	25.1%	18.2%	27.4%
25-34	31.0	29.2	31.4
35-44	35.5	36.8	35.1
45-54	38.0	32.6	39.5
55-64	42.2	40.2	42.6
65 and Over	42.2	43.9	41.5

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

Nationwide DSN Report

The adage, "the older you get, the wiser you become," carries over to the way consumers spend their money for goods on sale in discount stores, mass merchants, department stores and specialty outlets.

As they age, both men and women become more likely to pay attention to the ad of a retailer and become more careful about how they spend their cash *(see table 12)*.

The Young Are Unaware

About 35% of all the shoppers questioned said they knew of a promotion before going into a store. But nearly 75% of those shoppers polled who were younger than 25 said they were unaware of what was on sale in the store they were entering. Promotional awareness picks up steadily, however, as people get older and, presumably, earn more.

Generally, women are more conscious of a retailer's promotions than are men. This is particularly true for younger women: 27.4% of females under 25 said they were aware of a retailer's promotion, while only 18.2% of men in that age group knew of a sale.

The gender pattern changes, albeit erratically, as both groups mature. For instance, a higher percentage of men than women in the 35 to 44 age bracket knew about a promotion; but in the 45 to 54 group, nearly two in five, or about 40%, of women knew of a store's promotions, compared to slightly more than three out of 10, or 30%, of men.

Retirees Pay More Attention

The pendulum swings back, however, when each group reaches retirement age. Close to 44% of the men 65 years or older knew of a sale or special, compared to around 42% of the women in this grouping; and 42% is the average percentage for the age group as a whole.

Miscellaneous Products Attract Regular Shoppers

(Continued from page 31)

and recreational toys like wagons and bicycles (three-quarters of those who were aware of an ad in this category said they were new shoppers).

Add-on Sales Are Rare

Lastly, the study looked at how often consumers who are knowledgeable about a promotion buy the product, and how much they spend during that trip to the store.

It discovered that, although the buying frequency for this miscellaneous product grouping is generally high, some question remains whether these products generate additional sales.

A random sampling of responses shows that nearly 90% of shoppers knowing of a store's sale on snacks and beer wound up buying the product. But these customers only spent a mean ticket of $8. The 75% of consumers who actually purchased hair care items they were aware of through ads spent a mean of $13.

Even a big ticket purchase like fine jewelry, which was purchased by nearly three out of five consumers who knew of a store's special, produces a sale of $332, which by no means indicates this product is generating add-on business.

The inference that can be drawn from these data is that while this miscellaneous product grouping keeps steady customers satisfied and coming through a retailer's door, it does little to encourage shoppers to buy other, nonpromoted items, on which dealers rely for higher margins.

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TRAFFIC BUILDERS SURVEY

Apparel

Discounters Pick and Chose when Promoting Apparel

Nationwide DSN Report

Apparel merchandise is not as important as a promotional category to discounters as it is to other retailers, for which these products are far more significant to their advertising efforts. And it is more often the case that new shoppers will go to other stores besides a discount unit to purchase men's, women's and children's clothing.

However, when discounters put certain kinds of apparel—women's lingerie, women's accessories and children's clothing—on sale, their promotions have a high recognition level compared with their retail competitors. It seems, however, that discounters are picking their spots, and do not view apparel in the same promotional light as, say, home-related items.

DSN's Traffic Builders study lists the 51 product categories that accounted for 75% of all the responses by consumers asked to name which items they knew were on sale in the stores they planned to shop. These categories fall into four subgroups: apparel, home products, hard lines, and a miscellaneous for such items as candy, jewelry, over the counter drugs and flowers.

Low Sale Priority on Clothes

That apparel, as a category, ranks lower in promotional importance for discounters than other items is clear *(see table 13)*. For example, the number of consumers who knew a discount store had women's shoes on sale ranked ninth among all product category mentions for discounters, whereas women's shoes was the fourth highest mentioned promotional category for department stores, and the second highest for "other" retailers (including specialty outlets).

Similar examples abound. Consumer awareness of promotions for men's coats ranked 28th for all stores, 55th for discounters, but seventh for mass merchants; recognition of promotions on women's skirts was 34th overall, 65th for discount stores, but in a tie for fifth for department stores; women's blouses fall into 37th place for discounters, but first place for department stores.

Traffic Builder Products: Apparel

Product Category	% of Total Mentions at All Stores	Discount Stores		Mass Merchants		Dept. Stores	
		% of Total Mentions	% of Mentions in Category	% of Total Mentions	% of Mentions in Category	% of Total Mentions	% of Mentions in Category
Women's Shoes/Boots	4.5%	3.2%	44.9%	3.9%	18.4%	7.3%	6.1%
Women's Sweaters	4.2	2.3	34.8	3.1	15.2	4.9	4.3
Women's Lingerie/ Sleepwear	3.6	3.2	61.1	4.8	30.6	—	—
Women's Blouses/Shirts	2.6	0.9	21.4	3.5	28.6	19.5	28.6
Women's Jogging Suits	2.2	1.9	54.2	3.5	33.3	4.9	8.3
Infants & Toddlers' Clothing	2.2	1.3	37.5	4.8	45.8	9.8	16.7
Women's Coats/Jackets	1.9	1.0	33.3	3.1	33.3	2.4	4.8
Women's Dress Pants/ Slacks	1.9	1.3	42.9	2.6	28.6	4.9	9.5
Women's Accessories	1.4	1.6	73.3	0.9	13.3	2.4	6.7
Men's Shirts	1.4	1.0	46.7	1.7	26.7	2.4	6.7
Women's Sportswear	1.3	1.2	57.1	1.7	28.6	—	—
Men's Coats/Jackets	1.2	0.4	23.1	4.4	76.9	—	—
Women's Skirts	1.0	0.3	18.2	0.9	18.2	4.9	18.2
Women's Jeans	0.9	0.7	50.0	0.9	20.0	4.9	20.0
Men's Accessories	0.8	0.9	66.7	0.9	22.2	2.4	11.1
Other Children's Clothing	0.7	1.0	87.5	0.4	12.5	—	—

However, when total mentions in a given category are grafted onto data about where consumers knew promotions were occurring, a somewhat different picture emerges *(see table 14, page 38)*.Take women's skirts: more than 75% of the consumers who knew of a skirt sale noted that the promotions were being run by a mass merchant. But in a product line that's not too promotionally significant for discounters, nearly 25% of the consumers said they knew of a skirt promotion at a discount store.

Whether this is a misperception on the consumer's part is hard to tell, but more than half of the shoppers aware of a women's skirt promotion at all stores wound up buying the product there.

Similarly, infant's clothing ranked 14th overall, 23rd for discounters, but fifth and second, respectively, for mass merchants and department stores for consumer promotional mentions. Nevertheless, discounters got nearly two out of every five mentions in the product category in which about eight out of every 10 consumers who is aware of a promotion winds up buying the advertised product.

Where discounters and other dealers part company, though, is in the kinds of consumers apparel promotions bring into their stores.

New Shopper Preferences

Most of the 16 apparel categories in the study were identified as being on sale more often by consumers who were not frequent shoppers of the store they were visiting. But in every case where consumers knew of a promotion at a discount store, these same shoppers said they had been to that discount outlet at least twice in the past month.

One prime example of this would be women's jogging suits, a product used regularly for promotions by all retail stores. More than 75% of the shoppers who knew of a discounter promoting this product said they were frequent customers of that store; only two in five who knew of a jogging suit sale at either a mass merchant or department store were regular shoppers of these stores. Women's sweaters, infant's clothing and lingerie are other categories which follow the same pattern.

Add-on Sales Are Questionable

Discounters may be treading cautiously in deciding which apparel items to promote because it does not appear these items are all that

(Continued on page 38)

MARKETWATCH

NEW YORK — **Kurt Salmon Associates** projects a 3% growth in sales of soft lines, including linens and domestics, for retailers in 1987.

The company's report asserts that retail prices will remain almost static with tighter inventory controls and improved execution boosting productivity.

On a unit basis, KSA sees only a 2.5% increase in apparel for the year. Consumers aren't expected to go on any spending sprees. Other factors such as lower inventory levels at manufacturers and retailers, as well as defined fashion directions, should keep business strong, the report said.

In men's wear, unit sales are expected to increase 2% this year with loosely fitting sportscoats, casual shirts, active sportswear and sweaters as the growth areas.

The projection of 3% more unit movement in women's wear also depends on a continued strength in activewear and sweaters plus a swing to more feminine suits and skirts.

In both girls' and boys' wear categories, activewear is again expected to chalk up the largest gains. Overall, a 2% unit increase was predicted in boys' wear and a 1% gain in girls' wear.

Accessories should pick up 3% in unit consumption this year, KSA stated in the report, with snakes skin, crocodile, big cat prints and tortoise shell buckles as the hot fashion features.

Athletic footwear, up by 15% through the first half of 1986, is expected to rise again by another 20% in 1987.

A group of 68 apparel makers who were polled by KSA expect to ship an average 5% more units in 1987. They also predicted an average 4% rise in wholesale prices, a 3% drop in inventory levels and an 11% rise in profits.

* * *

NATICK, Mass. — Membership warehouse clubs like **Zayre's B.J.'s** wholesale club are after a slice of that apparel business.

Last month's 48-page mailer from the 15-unit B.J.'s operation devoted two pages to jewelry and four pages to apparel. The same brand-name-at-a-price tactic used for VCR's and office furniture was used to tout Lee, Pandora, Oscar De La Renta, Tultex, Hanes, Saddlery and Oleg Cassini clothing.

Prices for members ranged from $2.86 after rebate for Bill Blass men's briefs to $97.64 for a Saddlery leather jacket, also for men. An Oleg Cassini men's trench coat with a zip-out lining was featured at $52.73.

Women's clothing items featured in the book were all under $21. The highest priced item was an oversized Orlon Pandora sweater for $20.49. Other ladies' items included a Forenza (Limited's private label) London sweater for $7.97 and Lee stonewashed Relaxed Rider jeans for $16.96.

TRAFFIC BUILDERS SURVEY **APPAREL**

Discounters Pick Spots Carefully when Promoting Apparel

(Continued from page 37)
successful at encouraging consumers to make add-on sales.

Men's shirts are bought by more than two-thirds of the consumers who knew the product was sold on promotion; but the mean ticket of that purchase was $27, indicating that not much more than the shirt was rung up.

Women's sportwear is even more dubious about generating add-ons: the purchase is made by seven out of 10 consumers with awareness of the promotion, but the mean ticket is only $19.

There are two categories—women's sweaters and blouses, with a mean ticket, respectively, of $36 and $37—where consumers are either trading up to higher-quality items or are making add-on purchases. And one category, women's jeans, is the singular apparel item that seems to be magnetic in its producing other purchases: 60% of those who knew the product was one sale bought the jeans, but they spent a mean of $93. Even designer labels by themselves don't ring up that total.

Discounters' Promotions Lag in Branded Apparel

Nationwide DSN Report

Department stores and mass merchants are using branded apparel to attract customers far more regularly than discounters.

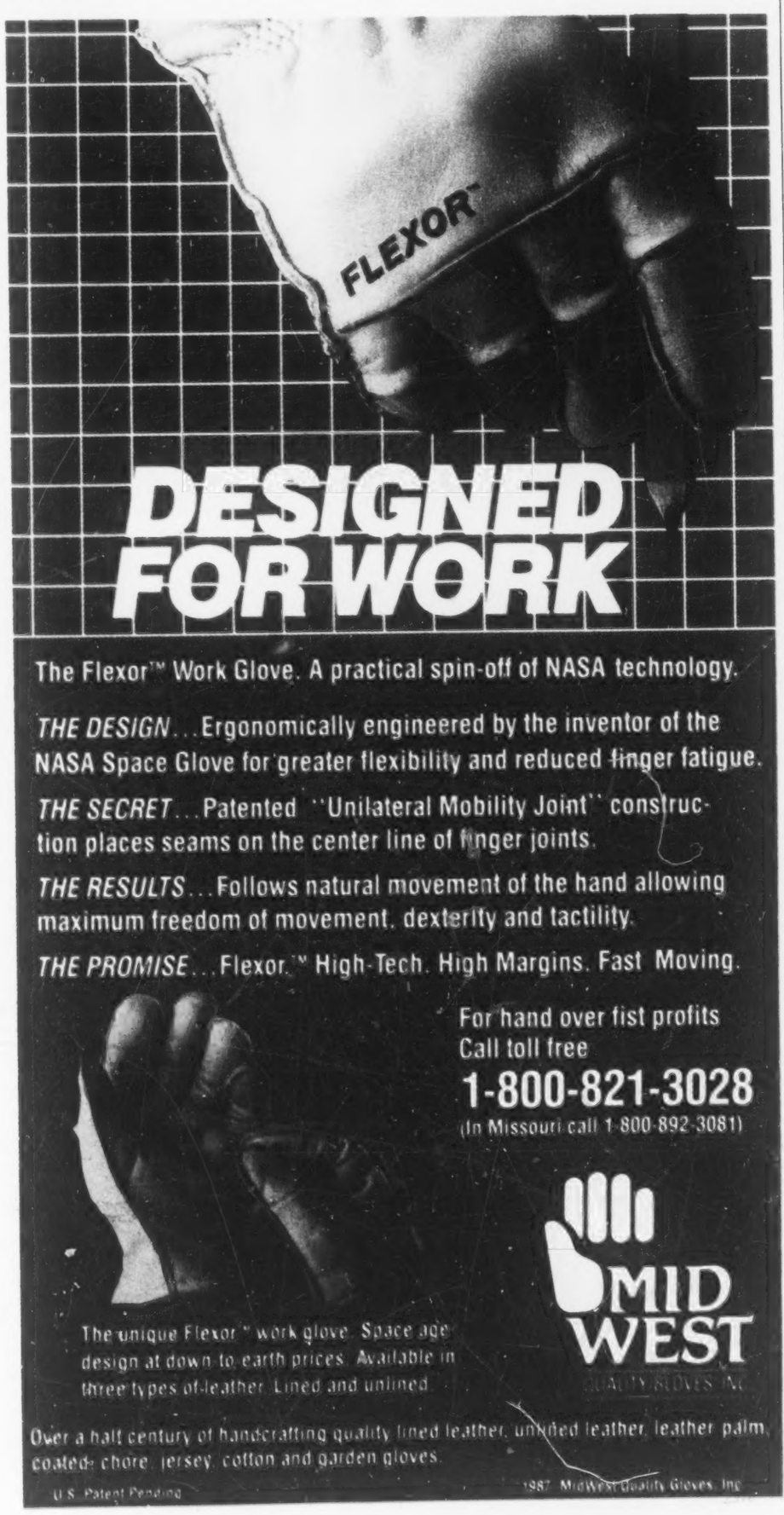
In fact, among the 48 top brands mentioned by consumers as being on sale in *DSN's* Traffic Builders study, the Sports Togs brand of leisure wear was the highest-mentioned brand by shoppers of mass merchants' units. Sports Togs ranked 10th overall in brand recognition in the study.

The differences in the kinds of merchandise various retailers promote was even more evident in the data examining the responses of department store shoppers, who identified the Liz Claiborne and Villager brands of women's and men's clothing as the brands they were most aware of being on sale at these units. These two brand names ranked only 34th in overall mentions.

Other prominent apparel brands that mass merchants are promoting, based on consumer recognition of their ads, include Tultex, a woman's jogging suit brand sold by Montgomery Ward, and Iron Wood, a brand of men's wear. Both of these brands were tied for the third in total mentions of promotional brands by mass merchant shoppers, but only 34th overall.

Discounters' promotions of apparel brands is apparently limited, although L'eggs pantyhose was the ninth-ranked brand discount shoppers knew was on sale.

Product Category	% of Mentions by Frequent Shoppers at All Stores*	% of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item**
Women's Shoes/Boots	59.2%	63.3%	$27
Women's Sweaters	60.9	60.9	36
Women's Lingerie/Sleepwear	61.1	69.4	20
Women's Blouses/Shirts	42.9	71.4	37
Women's Jogging Suits	62.5	70.8	30
Infants & Toddlers' Clothing	45.8	79.2	19
Women's Coats/Jackets	57.1	61.9	43
Women's Dress Pants	76.2	66.7	40
Women's Accessories	73.3	NA	NA
Men's Shirts	60.0	66.7	27
Women's Sportswear	50.0	71.4	19
Men's Coats/Jackets	69.2	84.6	48
Women's Skirts	45.5	54.5	48
Women's Jeans	70.0	60.0	93
Men's Accessories	66.7	NA	NA
Children's Clothing	100.0	75.0	53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The Flexor™ Work Glove. A practical spin-off of NASA technology.
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THE RESULTS...Follows natural movement of the hand allowing maximum freedom of movement, dexterity and tactility.
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MANUFACTURER NEWS

Sarah Coventry Awards Canada License to Daco

WARWICK, R.I. — Sarah Coventry Inc. has licensed Daco Manufacturing Ltd., Ontario, to produce a line of fashion jewelry under the Sarah Coventry name for sale in Canada. Separately, the company also announced the expansion of its children's fine jewelry line and that Jewelmont Corp. will assume exclusive license for Miss Sarah fine jewelry for children.

The new Sarah Coventry fashion jewelry collection by Daco includes earrings, bracelets, necklaces and chains that will have suggested retail price points ranging from $6 to $20 (Canadian). Earrings will be available in 90 styles featuring tailored, pearl, enamel, rhinestone and colored stone. Two freestanding tower displays are available with a minimum order for point-of-purchase support and Daco will tailor individual marketing programs to retailers.

The Miss Sarah fine jewelry collection will be enhanced by animals, butterflies, flowers and other designs added to the 14-karat collection of earrings, bracelets, charms and rings, according to Robert Leeds, president of Jewelmont, Minneapolis. "We have a collection derived from a line that has proven over the last 18 months to be a great hit among preteens," he said.

According to Leeds, Jewelmont, a 50-year-old company, will open a new division, the Miss Sarah Division of Jewelmont, that will market the jewelry primarily through discount, mass merchandise, department and specialty stores.

A Miss Sarah gift boutique pedestal for floor display of the entire line and a countertop presentation of an assortment of merchandise will be offered. Suggested retail prices will range up to $30.

Femic Merges With AAi

NORTH PROVIDENCE, R.I. — Femic Inc., manufacturers of fashion jewelry and small leather goods for mass merchandisers, has been incorporated into Accessories Associates Inc. (AAi).

The merging of Femic with AAi will enable discount stores and mass merchandisers to select products and service from one resource. The company's national service program has also been extended to cover its new small leather goods line.

AAi's national service program features inventory maintenance in which a member of the company's 300-person team updates all product categories before a retailer's inventory gets too low.

EXECUTIVE CHANGES

Dorothy Schimel has been named president for the small leather goods division of **Accessories Associates Inc.**, Providence, R.I. Schimel is headquartered in the company's New York showroom. Her responsibilities include the design, production and marketing of the new small personal accessories line. She was formerly president, Franstef Inc., New York, manufacturer of personal accessories and leather goods.

Rocky Mount Undergarment Co., Rocky Mount, N.C., has named **Jack Loftis** vice president, manufacturing. Loftis will be responsible for manufacturing operations of the company's facilities. He was formerly executive vp, operations at Quality Mills, Mount Airy, N.C.

Larry Malamut has joined the Children's Volume Makeup and Licensed Footwear Division of the **Trimfoot Company**, Farmington, Mo., as a Boston area representative.

TRAFFIC BUILDERS SURVEY

Home Products

Household Cleaners Help Produce Add-on Purchases

Table 15
Traffic Builder Products: Home Products

Product Category	% of Total Mentions at All Stores	Discount Stores		Mass Merchants		Dept. Stores	
		% of Total Mentions	% of Mentions in Category	% of Total Mentions	% of Mentions in Category	% of Total Mentions	% of Mentions in Category
Household Cleaners	6.8%	10.4%	97.3%	—	—	—	—
Household Paper Products	4.3	6.6	97.9	—	—	—	—
Sheets/Comforters	4.1	2.0	31.1	13.1%	66.7%	2.4%	2.2%
Laundry Products	1.9	2.9	95.2	—	—	—	—
Window Coverings	1.8	1.0	35.0	5.7	65.0	—	—
Bath Towels	1.7	1.0	36.8	5.2	63.2	—	—
Hard Furniture	1.1	0.6	33.3	3.1	58.3	—	—
Small Kitchen Appliances	1.0	1.0	63.6	0.4	9.1	—	—
Lamps	0.8	0.9	66.7	1.3	33.3	—	—
Cookware	0.8	1.2	88.9	—	—	2.4	11.1
Televisions	0.7	0.3	25.0	2.2	62.5	—	—
Fabrics/Material	0.8	0.6	44.4	—	—	—	—

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

Table 16
Customer Response to Home Products Traffic Builders

Product Category	% of Mentions by Frequent Shoppers at All Stores*	% of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item**
Household Cleaners	70.3%	73.0%	$ 13
Household Paper Products	83.0	80.9	17
Sheets/Comforters	48.9	73.3	36
Laundry Products	85.7	90.5	17
Window Coverings	60.0	80.0	29
Bath Towels	42.1	57.9	21
Furniture	33.3	66.7	113
Small Kitchen Appliances	45.5	NA	NA
Lamps	66.7	77.8	46
Cookware	77.8	100.0	30
Televisions	37.5	50.0	285
Fabrics/Material	44.4	66.7	35

* Shoppers who shopped at the store at least twice a month
** Total ticket could include other goods in addition to the sale item
NA — Not available

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

Nationwide DSN Report

Discounters are strong promoters of household items such as cleaners and laundry and paper products. But these stores don't seem to actively promote other "home" related goods such as linens or window coverings to the same extent as do mass merchants.

In addition, it appears as if these household items are being shopped primarily by regular discount store customers—and are generating add-on sales— while other home-related products, when promoted, may bring new shoppers into mass merchants' units but are not stimulating additional purchases.

In other words, the higher the ticket on these home products, the more likely it is that they are attracting new customers who are shopping only for that product.

Cleaners Lead List

DSN's Traffic Builders study found that household cleaners were the No. 1 product mentioned as being on sale by consumers of all stores and discount store shoppers. Paper products, the sixth-mentioned item overall, ranked third by those aware of sales at discount units *(see table 15)*.

Even cookware, which doesn't appear to be promoted that frequently by any retailer, had nearly nine out of 10 consumers who knew of a sale say it was going on in a discount store.

Sheets and comforters, on the other hand, were known to be on promotion by more consumers of mass merchants' stores than any other category mentioned, with window coverings and bath towels taking up the third and fourth places among those items mass merchant shoppers said they knew were on sale before entering the store.

Perhaps the most surprising finding shows television sets—which ranked 65th in mentions by discount shoppers and 47th overall—was the 17th most frequently mentioned item being promoted by mass merchants.

But the home products group is not one that either department stores or other retailers such as specialty and catalog showroom units promote on a

(Continued on page 44)

MARKETWATCH

EDISON, N.J. — **Crazy Eddie** has formed a new office of the president consisting of Mitchell Antar, executive vice president, marketing; Sam E. Antar, executive vp and chief financial officer, and Dr. Isaac Kairey, executive vp, operations. Eddie Antar, who has relinquished the title of president, will continue as chairman of the board and chief executive officer. Crazy Eddie has also added to its Board of Directors: Solomon E. Antar, Esq., senior vp, secretary and general counsel; David V. Panoff, senior vp, consumer service operations and telemarketing; Edmond Levy, vp, real estate and development; Steve Pasquariello, vp, store operations, along with Sam E. Antar and Dr. Kairey.

In another development, the board has adopted a stock repurchase program to reduce the number of outstanding common shares. Under the program, the company will, from time to time, make open market purchases of up to 3 million shares of its common stock.

* * *

NEW YORK — Will rebates be a thing of the past? Two major housewares manufacturers have announced plans either to eliminate or reduce rebates. **Black & Decker** U.S. Household Products Group will eliminate consumer rebates on all household products on March 31, 1987 and on all personal care products on June 30, 1987.

Moreover, Sunbeam announced it will reduce the amount of rebates by 60% in 1987.

Dennis Heiner, president of B & D's U.S. Household Products Group, said that rebates no longer make sense in this industry because they cut into inherently low profit margins for the retailer and the manufacturer.

* * *

DALLAS — **O. G. Wilson,** a chain of eight retail stores in Texas and Louisiana featuring name brand merchandise at discount prices, has introduced B.A.P.I.T., a guarantee to Beat Any Price In Town. B.A.P.I.T is one of the merchandising strategies developed in a program "dedicated to creating economic stimulation in the cities where our stores are located," said Michael Kryder, chairman, president and chief executive officer of Wilson's parent, By Land and Sea Distributors.

O.G. Wilson introduces B.A.P.I.T.

Household Product Promos Spur Add-ons

(Continued from page 43)
regular basis, if consumers' awareness of their advertising is any indication.

Sheets and comforters, for instance, were the 14th-ranked category mentioned by shoppers of department stores; household cleaners placed 20th in mentions by consumers shopping "other" units. Laundry products, which rank 16th overall (and more than 95% of the mentions came from discount store shoppers), fell to 28th in the mentions from shoppers of specialty and other stores.

The one oddity was fabrics, which registered low mention levels for most retailers except those in the "other" category (specialty and drug stores), where these products were the seventh most frequently category shopppers mentioned as being on sale. To a lesser extent, the same was true of small kitchen appliances: 34th in overall mentions, 30th for discount stores and 44th for mass merchants, this product category was in 15th place among those known to be on sale by stores designated in the study as "other."

Consumers are looking for sales on home products alone, and aren't too interested in other merchandise.

Promotions of home products also appear to be luring frequent, rather than new, customers to dealers' stores. And the power of these items to generate additional product sales varies considerably *(see table 16, page 43)*.

For the most part, the home-related merchandise discounters promote is attracting their regular shoppers. Seventy percent of those who knew about a household cleaner sale said they shopped the discount store at least twice a month. That number rose to 85% for laundry items and 87.5% for cookware.

In contrast, one in six customers who knew of a promotion being run on bath towels by a mass merchant or department store visited that unit often. (Less than three in five shoppers aware of a bath towel promotion actually buy the product). Slughtly more than one in three consumers knowing of a sale on sheets and comforters shopped these stores frequently.

As for the ability of these promotional home products to generate add-on sales, the study leaves little doubt that consumers are looking for sales on these items alone, and seem little interested in buying other merchandise when making those purchases.

For example, the mean ticket for those who purchased household products was only $13. Sheets and comforters produced a mean ticket of $36; bath towels, $21; fabrics, $35.

Even in durables like furniture, televisions and lamps (with respective means of $117, $285 and $46), it appears as if the customer buys only the items noted.

The one line of products, though, that appears to be stimulating add-on sales when placed on sale is laundry products. More than nine in ten shoppers who know the product is being promoted will buy it, and their mean ticket is $17. That indicates that other, lower priced, merchandise also is being purchased.

Discounters Stress Brands in Promos; Comet Shoots to Top of Known Brands

Nationwide DSN Report

Discounters are actively promoting brand names in the home products category, while branded items are hardly mentioned by mass merchants, department stores and other retailers in their promotions of these goods, according to *DSN's* Traffic Builders survey.

The *DSN* Traffic Builders study asked consumers to name the branded items they knew were on sale before they entered a particular store. The top 48 brands mentioned accounted for 45% of the total brands named by consumers.

In this home products grouping (which for this article's purpose includes household cleaners), Comet was the most frequently mentioned brand known in advance to be on sale by all shoppers in general and customers of discount stores in particular.

Top brands in this grouping to receive high brand recognition included Lux (the dishwashing detergent that ranked seventh in overall mentions); Vanish (which ranked 12th overall and 9th among discount store shoppers); and Real Lemon (the furniture polish brand that also placed 9th among mentions by discount shoppers).

Other leading traffic building brands in this category were Arm & Hammer (12th overall, 9th among discount store shoppers), Penthouse Paper Goods, Tide, Sani-flush and Waldorf Paper Goods (all tied at 18th overall and 14th among discount store shoppers), Rubbermaid (24th overall, 20th at discounters), Mr. Coffee (28th and 24th), Scot Paper and Windex (both tied at 34th overall and 28th among discount store shoppers).

Your name pr
Our name kee

You take a lot of pride in your store. You're committed to the quality of the products you sell. At General Electric, we understand that commitment, because we put quality into the products we make. If we didn't, you wouldn't sell them.

That commitment has paid off for you, and it's paid off for us. It's the reason GE Soft White Bulbs outsell all the competitive brands combined. It's the reason our brand awareness is three times that of the next guy.

Of course, none of that is accidental. GE has always been aggressive in capturing share of mind. We've done it with a heavily weighted advertising schedule on television and a consistently successful promotional campaign. We've done it with hard-hitting newspaper and magazine advertisements and sales-producing point-of-purchase displays.

All of that support reinforces General Electric's reputation for quality. It strengthens that perception among consumers before they even walk into your

Hard Lines

Hard Lines Promotions Generate More Add-on Purchases

Table 17

Traffic Builder Products: Hard Lines

Product Category	% of Total Mentions at All Stores	Discount Stores: % of Total Mentions	Discount Stores: % of Mentions in Category	Mass Merchants: % of Total Mentions	Mass Merchants: % of Mentions in Category	Dept. Stores: % of Total Mentions	Dept. Stores: % of Mentions in Category
Home Care, e.g., Tool Boxes, Light Bulbs	4.6%	4.0%	56.0%	6.6%	30.0%	—	—
Toys/Games	3.9	5.5	88.4	—	—	—	—
Home Storage, e.g., Mirrors, Closet Organ.	3.6	4.3	76.9	2.2	12.8	—	—
Batteries/Brake Fluid	1.9	2.6	85.7	1.3	14.3	—	—
Motor Oil	1.8	2.0	70.0	2.2	25.0	—	—
Antifreeze	1.7	2.7	100.0	—	—	—	—
Stuffed Animals	1.2	1.3	69.2	—	—	—	—
Craft Items	1.2	1.9	100.0	—	—	—	—
Oil Filters	1.1	1.6	91.7	—	—	—	—
Paint	1.0	0.7	45.5	2.6	54.5	—	—
Tires	0.7	0.7	62.5	0.9	25.0	—	—

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

Table 18

Customer Response to Hard Lines Traffic Builders

Product Category	% of Mentions by Frequent Shoppers at All Stores*	% of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item**
Home Care, e.g., Tool Boxes, Light Bulbs	40.0%	72.0%	$ 51
Toys/Games	60.5	76.7	33
Home Storage, e.g., Mirrors, Closet Organizers	61.5	79.5	24
Batteries/Brake Fluid	76.2	85.7	26
Motor Oil	60.0	75.0	37
Antifreeze	78.9	84.2	28
Stuffed Animals	76.9	76.9	33
Craft Items	76.9	NA	NA
Oil Filters	58.3	NA	NA
Paint	63.6	72.7	32
Tires	37.5	37.5	154

* Shoppers who shopped at the store at least twice a month
** Total ticket could include other goods in addition to the sale item
NA — Not available

Source: Leo J. Shapiro & Assoc., Discount Store News, November 1986

Nationwide DSN Report

Discounters are not drawing new customers into their stores by promoting hard lines in general. When frequent shoppers are aware that a hard line item is on sale, however, they tend to make additional purchases.

The *DSN* Traffic Builders study also found that the hard lines category isn't heavily promoted, compared to apparel and home products, although discounters are advertising hard lines more than other retailers.

The hard lines category isn't heavily promoted, compared to apparel and home products, although discounters are advertising hard lines more than other retailers.

The category that includes mirrors and closet organizers ranked seventh among all items consumers knew were on sale at a discount store, preceded by toys and games and followed by home care items such as leaf bags, light bulbs and tool boxes *(see table 17)*.

When batteries and brake fluid were mentioned as being on sale, more than 85% of those responses were from discount shoppers; 100% of mentions about antifreeze promotions came from those consumers going into a discount store.

Hard Lines Rarely Promoted

Home care is the second most frequently mentioned product being promoted by mass merchants and ranked third among products mentioned on sale at other stores such as specialty outlets. For the most part, hard lines were not mentioned as items shoppers knew were being promoted by nondiscount operations.

(Continued on page 53)

MARKETWATCH

LANHAM, Md. — While the number of auto parts stores in the U.S. rose more slowly over the last three years than during the previous three-year period, the growth rate among discount stores handling automotive products climbed to 10%, the highest of 14 categories of retail outlets surveyed by the **Automotive Parts & Accessories Association's** research arm. According to preliminary data released by the Foundation for Aftermarket Industry Research (FAIR), automotive products were added by 700 discount stores between 1983 and 1986. Auto parts outlets recorded a 7.6% growth rate to nearly 41,000 stores in 1986. The rate of growth for auto parts stores from 1980 to 1983 was 33%. The preliminary data seems to indicate that more mass marketers are adding automotive parts to their inventory. The number of grocery outlets selling automotive products rose by 6,300, or 7.4%, in three years. In addition, automotives were added by 600 drug stores and 800 hardware stores since 1983. Specialty repair shops—those specializing in tune-ups, oil changes and the like—gained 900 new outlets, while new car dealerships dropped 900. The study also counted 16,100 fewer service stations in 1986 than in 1983, for an 11% decline.

* * *

CHARLESTON, S. C. — **Toys 'R' Us,** the specialty toy chain, has opened a 43,200-sq.-ft. unit in the new NorthRivers Market in North Charleston. The 320,000-sq.-ft. retail center, which is scheduled for completion this summer, also will house such major tenants as Ross, Marshalls, Phar-Mor Drugs, Hechinger (home improvement center), and a variety of specialty, food and service shops.

* * *

WOODLAND HILLS, Calif. — **The All American SportsClub,** a chain of warehouse-style sporting goods stores, has signed an 18-year lease for its fifth location here near Sacramento. The new, 62,969-sq.-ft. SportsClub is located in a former Best Products catalog showroom at 21500 Victory Blvd. SportsClub, founded by Robert McNulty, the former chairman of HomeClub, the warehouse home center operation bought by Zayre last year, operates four stores in the Los Angeles area and one in Greater Sacramento.

As well as the new unit in Northern California, additional store expansion is planned around Los Angeles.

* * *

NORTH PALM BEACH, Fla. — The **Sporting Goods Manufacturers Association (SGMA)** has announced new dates for its 1987 New York trade show. The SGMA New York Show will be held Sept. 20 to 22. Originally the show was to start on Sept. 19. The change was made by the SGMA board in order to avoid a conflict with the National Sporting Goods Association's Anaheim show on the West Coast, which runs through the 19th. For further details, write Jeff Price, director of trade shows, SGMA, 200 Castlewood Drive, North Palm Beach, Fla. 33408, or call (305) 842-4100.

HARD LINES — TRAFFIC BUILDERS SURVEY

Hard Lines Promos Produce Extra Purchases by Regular Customers

(Continued from page 51)

Perhaps the one aberration here is stuffed animals, a category that tied for 28th in overall mentions and 23rd in mentions by discount shoppers. The category was listed 14th by department store consumers and 15th by those shopping other retail establishments, such as specialty outlets

Matches Shopping Pattern

With the exception of home care products and automobile tires, the merchandise in the study falling under the heading of hard lines was likely to be purchased by frequent shoppers of the store promoting the item *(see table 18)*. This ranged from the nearly three out of five customers who knew motor oil was on sale having visited a store at least twice in the past month, to more than three-quarters of the knowledgeable shoppers of antifreeze, craft products, stuffed animals and toys turning out to be frequent customers.

Only 37.5% of those shoppers aware of a tire sale were frequent shoppers of the store making the promotion; 40% of those knowing home care products were on sale shopped a unit at least twice a month.

Discounters and other retailers are divided markedly when it comes to shopping frequency of the customers familiar with their respective promotions.

In every hard lines item tracked, far more shoppers aware of a discounter's promotions were regular customers of that store than infrequent visitors. More than 85% of those who knew of an automotives sale had been to the discount store often, while nine out of 10 who knew about stuffed animal promotions were in the discounter's unit at least twice in the past 30 days.

Home Care Rates

The only hard line to receive adequate statistical mentions in terms of shopping frequency for nondiscount stores was home care. But notice the difference: only slightly more than 13% of shoppers who knew of a promotion in this category at either a mass merchant or department store were frequent customers of that store.

The study showed, though, that retailers in general and discounters in particular, may be losing out on bigger ticket sales by not promoting hard lines more often, regardless of whether they bring in frequent or infrequent customers. In the main, these products are good at encouraging add-on business.

Oil Ticket Averages $37

Take motor oil, for instance. Those shoppers who purchased motor oil after they knew it was on sale wound up spending a mean ticket of $37. Antifreeze is even more telling: the mean ticket came to $28. Those who knew home care items were being promoted spent $51.

This formula for success does not extend throughout this product group, however. That those who knew tires were on sale spent a mean of $154 is not that surprising. But a remarkable example is paint, which generated a mean ticket of only $32, or the price of two higher-end gallons, by shoppers knowing it was on sale. The category that included mirrors and closet organizers found promotion-knowledgeable customers spending a mean of $24, while toy purchasers bought $33 worth of total goods.

Automotives, Toys Brands Lead Hard Lines Promos

Nationwide DSN Report

Automotives, toys, some stationery items and small appliances are some of the branded "hard lines" that discounters are promoting to increase customer traffic.

But in selected products in this grouping, discounters are being challenged by mass merchants and other retailers that are promoting as heavily and are getting consumers' attention.

DSN's Traffic Builders study—in which the top 48 brands named by consumers as promotional products accounted for 45% of all brands mentioned—found that Prestone antifreeze, Fisher Price toys and Bic pens ranked 2nd, 3rd, and 4th, respectively, among the brands known by shoppers to be on sale at all stores and at discount units.

Oddly enough, though, while AC Delco auto products ranked 6th overall and 5th in mentions by discount shoppers, Quaker State motor oil—presumably sold in the same area of a store—ranked only 24th as a promotional brand on sale in discount stores. Quaker State was the 7th most mentioned brand overall, and ranked 2nd in mentions by shoppers of mass merchants.

Discounters were doing most of the promoting on the products falling into the "hard lines" group, although there were some noteworthy exceptions. For example, Bic pens were the most-mentioned brand being promoted by "other" dealers that included specialty stores, catalog showrooms and drug combo units. Quaker State oil ranked 9th as a product on sale at these stores.

General Electric light bulbs—ranking 12th overall and 14th among discount shoppers—tied for 9th at "other" retail units. Kodak film, which ranked 28th overall and at discount units, received the 13th highest number of mentions by shoppers of mass merchants.

And the Arvir brand of small electric appliances was the 3rd highest-mentioned brand known to be on sale by mass merchants, even though the brand placed 34th overall as a product name recognized to be on promotion.

HARD LINES — AT THE SOURCE

Talking Puppy

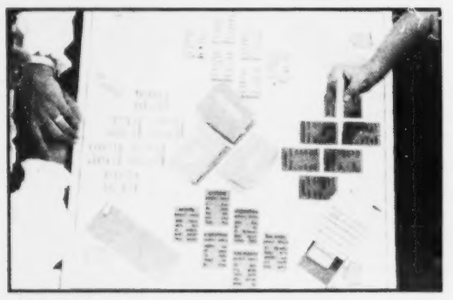
Lakeside, a subsidiary of Coleco Industries Inc., West Hartford, Conn., has introduced Talking Wrinkles, a soft, toy puppy that carries on a conversation. Talking Wrinkles also makes a wide variety of puppy sounds. They toy's behavior is activated through mouth sensors, a sound sensitive microphone and motion sensor. Talking Wrinkles puppies are available in a variety of colors and wear removable, washable play outfits. They require four AA batteries.

Steering Wheels

Superior Industries International Inc., Van Nuys, Calif., has introduced Lazer 300, its new line of custom steering wheels. The Lazer 300 line is available in a 13½-in. diameter wood or sponge vinyl rim with black or silver spokes.

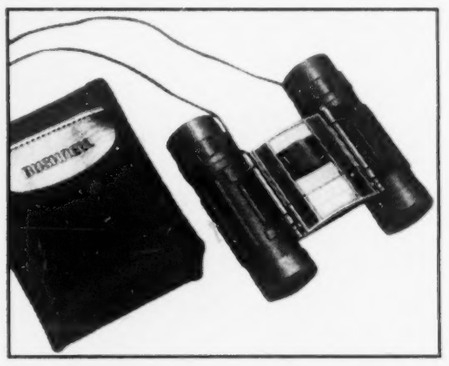
Alcohol-Free Mousse

Vidal Sassoon Inc., New York, has introduced its new line of alcohol-free styling mousses. The three new mousses are Sassoon's Ultimate Hold, Full Body and Moisture Rich. Ultimate Hold is for all hair types; Full Body is designed for fine hair, and it helps to build body; and Moisture Rich is for dry or damaged hair. All three formulas come in an 8-oz. size.



Educated Game

Educated Guess, a recreational and educational word game, is new from Spencer Price Inc., San Antonio. The game requires two or more players and is designed for ages 10 to adult. The game runs in two phases. The first consists of guessing the identity of words after hearing them defined. Round two challenges players to write a story using the words they manage to identify, along with a number of connecting words printed on the board. The game was introduced at the Dallas Toy and Hobby Show last September.



Compact Binoculars

Bushnell, division of Bausch & Lomb, San Dimas, Calif., has introduced its wide angle pocket-size, 10x25 folding roof prism binoculars to its Sportview line. Model 13-2510 is a versatile 9.3 ounce instrument. It features durable black rubber armoring. All air-to-glass surfaces are coated with magnesium fluoride. The wide angle design provides a 341 foot field of view at 1,000 yards. The manufacturer suggests a retail price of $117.95.

Hallmark, Hasbro Get Together on Toy Line

KANSAS CITY, Mo. — In their first joint venture project, **Hallmark Properties** and **Hasbro Inc.**, are introducing at next month's Toy Fair Jammie Pies, a coordinated line of infant & toddler nursery products with a theme of bedtime stories and legends.

Hasbro will be the primary licensee and marketing partner for Jammie Pies, which were developed by Hallmark Properties.

Advertising for the Jammie Pies collection will begin in March on network television and in April in leading consumer magazines.

Retail promotions will take place between June and October, including Jammie Pies sweepstakes and boutiques, advertising and in-store events for expectant mothers.

The Toy Fair will be held in New York, Feb. 9 to 18.

Best Tests Science Optics

SAN DIMAS, Calif. — Bushnell, Division of Bausch & Lomb, has introduced a series of science education products that are being tested at Best Products' catalog showrooms.

The new Spectacu-Learn line includes three microscopes (1200, 900 and 750 power), a 30-150 power refractor telescope, a 7x35mm pair of binoculars and a disc camera.

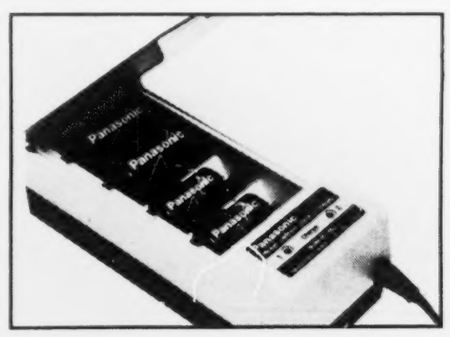
The two microscopes in the new line, 900 power zoom and 1200 power zoom, are being test marketed for six months with Best Products catalog showrooms. The complete product series will be available this quarter.

The Spectacu-Learn line is designed for ages 8 and older and was developed to support science education.

Show Sets Dates

NEW YORK — The eighth annual Private Label Trade Show will be held Nov. 15 to 18 at Chicago's O'Hare Exposition Center.

For information, contact: Charles Trask, Private Label Manufacturers Association, 41 East 42nd St., New York, N.Y. 10017; (212) 972-3131.



Battery System

Panasonic Industrial Company, Secaucus, N.J., has introduced its rechargeable nickel-cadmium battery system. The system features a line of five battery sizes and a recharger that can be used for battery sizes D, C, AA, AAA, and 9-volt. Suggested retail price for the recharger is $12.99.

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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SportsClub, a new membership warehouse sporting goods retailer, hopes to have as many as 16 stores, with an average size of 60,000 sq. ft. each, in operation by year-end. (DSN photo)

New Warehouse Format Booms

SportsClub Plans Four-Fold Growth

LOS ANGELES — All American SportsClub, a young four-unit membership warehouse sporting goods chain, announced it will attempt a private equity placement to raise funds for an additional 10 to 12 stores this year.

Robert McNulty, chairman and chief executive officer of SportsClub, Anaheim, Calif., expects to have 14 to 16 SportsClub outlets—averaging 60,000 sq. ft. each—open by the end of 1987. All will be in California.

SportsClub raised $10 million in an initial private equity placement last summer. McNulty said he now will attempt a second placement to raise an additional $15 million for 1987 expansion.

Last August, McNulty resigned from the 28-unit HomeClub, the membership warehouse home center chain he founded in 1983 and sold to

(Continued on page 51)

Target Streamlines; Lays Off 125 Execs

MINNEAPOLIS — Target Stores, the 246-unit discount chain based here, has eliminated 219 positions in headquarters, distribution centers and regional offices, resulting in the termination of 125 executives.

"Because the majority of our management personnel is located at the headquarters office, the number of people affected by this cutback reflects that concentration," said George Hite, vice president of public and consumer affairs. The firings represent 3% of Target's management staff.

In addition to the firings, 64 employees were transferred within the company and 30 filled vacancies due to natural attrition, said Hite.

"The firings were not based on job performance," said Hite, noting that all employees were meeting or exceeding work responsibilities.

(Continued on page 69)

CES Offerings Entice Chain Electronic Buyers

By JOSEPHINE FIAMINGO

LAS VEGAS — Discount store buyers at the International Consumer Electronics Show held here last month were attracted to home office products, especially typewriters and the new personal, portable copiers, while the CE specialty chains concentrated on leading edge products like Digital Audio Tape (DAT).

In addition, video games, once a lagging category, appear to be making a comeback, said retailers interviewed at the January show.

Meanwhile, despite lower VCR prices seen at the show, a number of discounters are de-emphasizing video for spring and concentrating more on compact disc players, stereo television and increased selection in color and design in portable audio and telephones.

(Continued on page 4)

Home Shopping Moves To Acquire C.O.M.B.

By ARTHUR MARKOWITZ

CLEARWATER, Fla. — Home Shopping Network (HSN), the nation's dominant teleshopping operator, and closeouter C.O.M.B. have reached a preliminary agreement on a stock swap that could create a giant video retailing firm and result in a major realignment of the growing telemarketing industry.

In a separate, unrelated deal, HSN plans to buy a Baltimore thrift institution as its entry into the financial services field. HSN could offer such service on its TV shopping programs and through its direct marketing company, Stuart McGuire, which publishes a number of catalogs.

The $648 million offer for C.O.M.B. calls for HSN to pay $36 a share for each of the closeouter's 18 million common shares. HSN will pay $40 million in cash for Baltimore Federal Financial. Both deals are subject to approval by a number of Federal agencies.

It remains to be seen whether the proposed C.O.M.B. deal would aid or hinder smaller video marketers groping for a share of the burgeoning business—projected to exceed $1 billion this year.

Key to the future of teleshopping is the attitude of two distinct, but related segments of the TV industry, multiple system cable TV operators (MSOs) and independent commercial TV stations, mainly UHF broadcasters, to HSN's acquisition of Plymouth, Minn.-based C.O.M.B, which owns 50% of Cable Value Net-

(Continued on page 69)

50% Hike in Minimum Wage Possible As Advocates Rally Around New Bill

WASHINGTON — Congressional supporters of an increased minimum wage rate have introduced a bill calling for a 50% hike in the $3.35 national hourly pay floor.

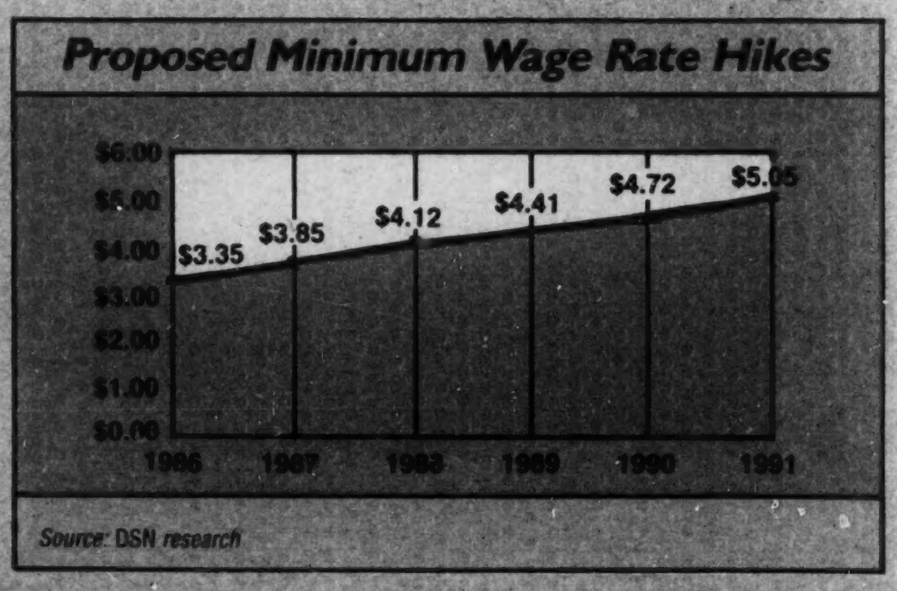
The bill, H.R. 79, introduced in the House at the opening gun of the new Congressional session, would add $1.70 per hour over the next four years to the cost of employing each minimum wage worker.

At that point, the legislation would establish an "escalator clause" calling for future annual adjustments in the hourly wage rate in step with increases in the average earnings of all private sector employees.

Now that the Democrats have recaptured control of both chambers, minimum wage advocates are expected to mount an intensive campaign to raise the hourly wage rate.

Adding to the favorable outlook for such legislation this year is the announcement of incoming Senate Labor Committee chairman Edward Kennedy that passage of a new

(Continued on page 70)



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CONGRESSIONAL INFOR SVC 1HT
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BETHESDA MD 20814

MARKETWATCH

Danners Inks New Credit Agreement

INDIANAPOLIS — Danners signed a new $14.1 million credit agreement with its banks on Jan. 20, enabling the financially-pressed discount chain to begin paying past-due trade bills. The banks also agreed to lend the chain $7 million against proceeds from the liquidation of inventory in 17 of its 35 3D Discount stores, which began last month (see *DSN*, Jan. 19, page 3).

K mart Readies More Banking Centers

TROY, Mich. — K mart will unveil convenience banking centers in Minnesota stores for the first time when five Minneapolis/St. Paul units begin offering financial services this month. Another six K marts in the Twin Cities are due to get banking centers in September. Metropolitan Federal Saving Bank of Moorhead, a subsidiary of Metropolitan Financial Corp. (MFC) will operate the banks. MFC is a member of the First Nationwide Network, the franchisee arm of First Nationwide Financial Corp., which last month signed an agreement to open financial centers in 150 K marts (see *DSN*, Jan. 19, p. 1).

Ex-Gemco Chief Goes to Fisher's

JOHNSTOWN, Pa. — Stanley Brenner is the new president of Fisher's Big Wheel, the 84-store discounter based here. Brenner was previously chairman and chief executive officer at Gemco, the recently closed discount division of Lucky stores. He had been at that company for two years. Brenner is also a 21-year veteran of Prange-Way in Green Bay. Wis., where his last position was president.

ABC Mulls Early A.M. Shopping Show

NEW YORK — The ABC-TV network is considering airing a teleshopping show in the early morning hours when it doesn't broadcast any program. A spokesman said the idea "was only in the discussion stage" as one of a number of suggestions for programs to be broadcast during the dead air time between 2 a.m. and 6 a.m. ABC Video Enterprises, which is the division involved with the basic ESPN, Lifetime and Arts & Entertainment cable TV networks that are partly owned by ABC, was exploring the video retailing idea.

Paysaver Closes Freestanding Showroom

HOLYOKE, Mass. — Paysaver plans to shut its freestanding Springfield, Mass., showroom by the end of next month and is negotiating to open a store in a shopping center closer to the greater Eastfield area. Sale of the Springfield site will reduce Paysaver's overhead and "help contribute to a return to profitability," said president Charles L. Polep. He added that the change in consumer buying habits have made locations in or near shopping centers more desirable that freestanding showrooms.

UCC Slates Bar Code Seminars

NEW YORK — The Uniform Code Council (UCC), which controls the Universal Product Code, including assigning UPC numbers, will hold orientation seminars March 12 in Los Angeles and Oct. 28 in Chicago. Information on UPC and the UPC orientation seminars is available from the Uniform Code Council, P.O. Box 1244, Dayton, Ohio 45401-1244, phone: (513) 435-3870.

L-F Moves San Francisco Office

Lebhar-Friedman Inc., parent of *Discount Store News*, has relocated its San Francisco Bay Area regional office from Hayward to San Francisco. The new address is: 400 Montgomery Street, San Francisco, Calif. 94104. Telephone: (415) 362-2575.

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Bill Would Shift Burden of Proof To Suppliers in Price Fixing Cases

WASHINGTON — House Judiciary Committee chairman Peter Rodino (D-N.J.) introduced new legislation to rewrite the rules in resale price maintenance (RPM) cases, a move that would enable discount chains to more successfully challenge in the courts suspected RPM conspiracies.

The bill effectively would scrap controversial new standards of evidence in such cases established by the Supreme Court in its landmark 1983 *Monsanto* resale price fixing decision.

Although that ruling upheld the "per se" (automatic) illegality of "Fair Trade-style" RPM activities, it also made it virtually impossible for victims of these practices to prove the existence of RPM conspiracies in court.

Rodino's bill (H.R. 585) would reverse the *Monsanto* standard by shifting the burden of proof in RPM cases to the manufacturer.

In its previous ruling, the Supreme Court held that a manufacturer's decision to terminate sales to a discounting retailer in response to complaints from full-price dealers was not sufficient to establish the existence of an illegal RPM conspiracy.

In addition, the court said, the victim of these practices, usually a discounter, must produce evidence that precludes the possibility that the

(Continued on page 70)

Where's Crazy Eddie?

Founder's Absence Raises Concerns

NEW YORK — Crazy Eddie's commercials screaming of "insane" prices have always attracted a lot of attention.

But the goings-on at the retailer's Edison, N.J., headquarters are creating far more fuss these days, even though management is trying to keep things extremely quiet.

The big mystery is—where's Eddie Antar?

The founder and guiding genius of the company has not surfaced for nearly two months. The report earlier this month (*DSN*, Jan. 19, page 43) that he had resigned as chief executive with his duties being assumed by a troika—his brother, cousin and one non-family member—simply raised more questions about the future of the firm.

What is known is that Eddie Antar will remain as chairman and a director.

What is also known is that Crazy Eddie's business did not live up to expectations in the Christmas period. While sales for the four weeks ended Dec. 28 were $62 million dollars, up 50.3%, comparable store sales were down 9%.

It is generally believed that the 39-year-old founder is ill."I was told that he was ill and had not been at the office since early December, probably even before then," said analyst Edwin L. Underwood of Scott & Stringfellow in Richmond, Va.

(Continued on page 70)

DSN 25th ANNIVERSARY TRIVIA QUIZ: 1964

In 1964, big numbers expansion caused stock analysts to begin to beat the drums for the developing discount industry. Emphasis was less on earnings and dividends, and more on new store commitments and broader, one-stop shopping offerings, as emerging chains began to put their flags up in key markets.

DSN invites you to test your recall of industry events of 1964 with the questions that follow. As part of our 25th anniversary, DSN is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, including your name, address and telephone number, on standard letterhead, and mail to:

Quiz Editor - 2/2
Discount Store News
425 Park Ave.
New York, N.Y. 10022

Winners and correct answers to each quiz will be announced in a future issue.

1. Not all the key discount chain players in '64 traded dividends for store investment dollars. One such industry leader continued his policy of double dividends (5% a year) plus a 2% stock dividend. He was:
a) Harry Cunningham (Kresge);
b) Stanley Feldberg (Zayre);
c) Sol Price (Fedmart).

2. Back in 1964, with thinly stored markets, customers on average traveled many more miles to shop at a discount store. One survey reported that the percentage of customers that traveled more than nine miles was:
a) 10%;
b) 27%;
c) 52%.

3. K mart, in pushing the expansion button in its third year, made a unique acquisition of two existing Thrift City stores. They were located in:
a) Atlanta;
b) Pittsburgh;
c) San Diego.

4. Industry market share gains in key merchandising categories continued to build. For housewares, the NHMA reported that the discount market accounted for what percent of total U.S. housewares business?
a) 7%;
b) 9%;
c) 12%.

5. Merchandise assortments in key departments were spreading to more sku's in category count. The first DSN survey of the "drug" department showed that the category with the most space in that department (11%) was:
a) tobacco;
b) stationery;
c) hair coloring.

6. In 1964 discounters moved into the No. 3 spot as the retail segment doing the most drug business after supermarkets and drugstores. Their market share in 1964 climbed to:
a) 5%;
b) 10%;
c) 17%.

7. What hasn't changed since 1964 is the industry emphasis on merchandise turns. Dun & Bradstreet reported turns for 1963 at 5.8 and a respectable increase in 1964 to:
a) 6.1;
b) 6.2;
c) 6.8.

8. Food departments incidence jumped by 5 points in 1964 over the previous year. What percentage of the industry's 2,229 stores had supermarket departments:
a) 21%;
b) 47%;
c) 58%.

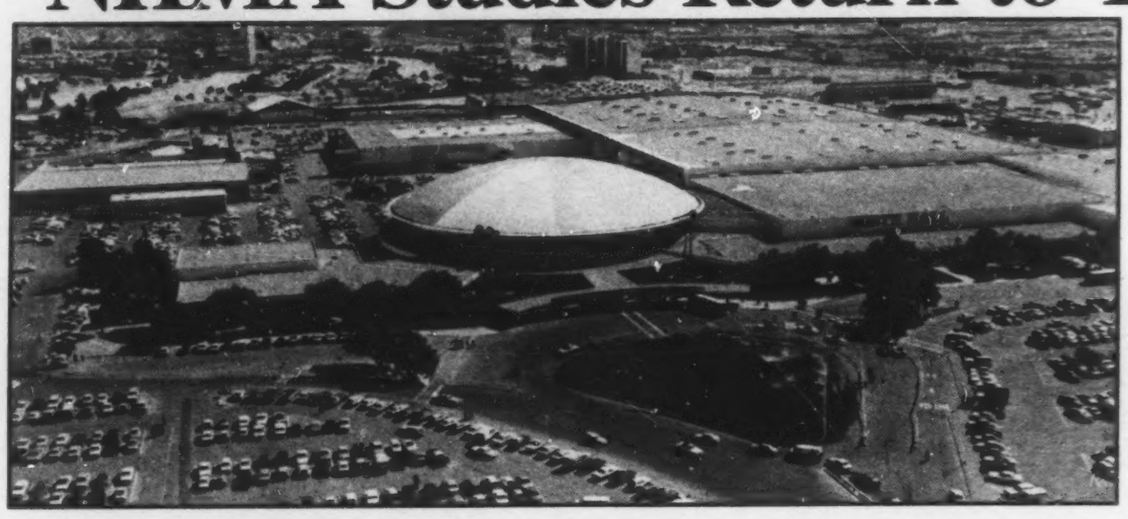
9. Non-metropolitan area sites were beginning to be more sought after in 1964, but major markets still dominated the locations pattern of the industry. The top 50 markets accounted for what percentage of the total industry store locations?
a) 35%;
b) 46%;
c) 58%.

10. Takeover of leased departments continued in 1964, yet one major department was still at that time leased by more than half of the existing discount stores. It was:
a) drug;
b) hardware;
c) linens.

11. Kresge announced plans to have 34 new stores in operation by the end of '64, for a total of 88. Kresge, normally a conservative forecaster, also forecast a total of 250 K marts in operation by 1969. The K mart store count by the end of 1969 actually was:
a) 190;
b) 250;
c) 330.

Home Products

NHMA Studies Return to Two-Shows-A-Year Schedule



Las Vegas Convention Center, Las Vegas, site of The Interface Group, HouseWorld Expo, Aug. 31 to Sept. 2, 1987.

Atlantic City Convention Center, Atlantic City, N.J., site of Tower Conference Management Co., Fall Housewares Show, Sept. 27 to 30, 1987.

By MARY ELLEN KELLY

CHICAGO — The National Housewares Manufacturers Association (NHMA) has taken the first steps toward what could be a reversal of last year's decision to switch to a single-show schedule. The association is currently exploring the possibility of returning to a two shows-a-year format.

If approved by association members, the biannual schedule could threaten the existence of privately sponsored shows created in response to the original single show decision.

The William T. Glasgow Inc.-sponsored Summer Housewares Show, scheduled to make its debut July 20 to 22 in Chicago, has been cancelled. This gives the NHMA the option of using those dates to establish a second show as of 1988.

The decision to reinstate a biannual show calendar will be contingent upon the results of an NHMA members poll regarding their schedule preference, said Sue Palmore, director of communications.

Results of the poll, which will be conducted by mail this month, should be completed by the time the industry convenes at the NHMA show in April, Palmore said.

The NHMA has sought since last November to nail down dates in Chicago to prevent The Interface Group's HouseWorld Expo, which is sponsoring a competing show in Las Vegas, from getting a foothold in what has historically been the NHMA city.

Brian Casey, show director for the the NHMA, had sent a letter to McCormick Place in November 1986 requesting first right of refusal in the event Glasgow failed to go through with plans, an NHMA source said.

July Show Dates Held for NHMA

William Glasgow Sr., show manager, said his organization has reached an agreement with the NHMA ensuring that the July show dates will be available for the association in 1988 should the NHMA decide to reinstate a second show. Citing manufacturer participation that was below expectation, Glasgow also said that exhibitor fees will be refunded to those vendors who had committed themselves to the show.

If a second NHMA show were reestablished, big name vendors and retailers might not attend the other shows, said housewares retailers and manufacturers, who claim that competing trade shows will fragment the industry.

Eight months ago, the NHMA had switched to a single-show schedule based on a unanimous vote of its board members.

Since that time, several manufacturers including Richard Stern, president of Associated Mills, have tried to persuade the NHMA to continue to offer its members a second show alternative.

Stern, who commissioned a Chicago-based research firm to conduct a telephone survey regarding the

(Continued on page 25)

Executives Debate Domestics' Place in Off-Price Apparel

Nationwide DSN Report

Do the domestics departments that many off-price apparel chains either lease or operate themselves really fit into stores that specialize in clothing bargains?

Some off-price chains and leased department operators say the heavy traffic that the off-price apparel stores generate creates many opportunities to hook the female customer. But others claim domestics belong in apparel stores about as much as automobiles belong in grocery stores.

"Any type of store that attracts heavy traffic is a good climate for domestics," said Donald Abrams, president of Three D Departments, an East Hartford, Conn.-based company that operated leased domestics departments in K mart's Designer Depot off-price apparel stores.

K mart announced last November it would close the 79-unit chain, and Three D has filed a breach of contract suit in Federal Court against K mart, seeking damages "substantially in excess of $1 million" for revenue losses it says it will incur as a result of the closing.

"Leased domestics departments have been good business for us and we would expand in that direction if more opportunities were available," said Abrams, referring to recent off-price apparel chain fatalities.

Three D also once operated leased domestics departments in the Los Angeles-based Zodys Discount Department Stores chain before that company folded last year. Three D had annual sales of $2.5 million in one 5,000-sq.-ft. Zodys department, Abrams said.

Three D now operates only six leased departments, all in the Cincinnati-based Van Leunen's discount store chain. In addition, it operates 27 freestanding off-price bed and bath stores in California, New Hampshire, New York, Connecticut and Massachusetts under its own name.

The company also shares space in three California units with Nordstrom Rack, an off-price apparel division of Nordstrom department stores, in which each operates under its own logo. Three D had sales of $44 million in 1986, Abrams said.

(Continued on page 27)

MARKETWATCH

NEEDHAM, Mass. — **The Interface Group Inc.**, producer of the coming HouseWorld Expo in Las Vegas, has scheduled its first annual HouseWorld Expo, in Sydney, Australia, May 5 to 7 at the RAS Showgrounds. The Australian expo will feature a conference program aimed at marketing and product issues of special relevance to retailers, seminars and marketing discussions and exhibits from manufacturers around the world.

* * *

STAMFORD, Conn. — Retail telephone sales were expected to reach 25.2 million units last year and sales are expected to climb steadily through the end of the decade, according to a report by **GTE Consumer Communications Products.** In addition, 4.3 million telephone answering systems were sold last year, said Freeman Robinson, vice president and general manager of the telephone equipment marketer. Robinson also said that consumers' acceptance of new features, such as programmable memory, automatic repeat dialing, speakerphone operation and liquid crystal readouts, is propelling sales of higher-end telephone categories. He predicted that advanced feature telephone unit sales will jump to 4.7 million units in 1987, from an expected 4.3 million units in 1986. Stand-alone telephone answering devices and integrated telephone/answering machine combinations will achieve unit sales of some 5.1 million this year, from an estimated 4.3 million units in 1986. Cordless phones will total about 3.7 million unit sales in 1987, from 3.3 million. A total of some 15.5 million basic and enhanced basic phones will be sold this year, up from 15.3 million units in 1986.

* * *

WASHINGTON — Sales of home video products through the first 11 months of 1986 continued to run ahead of the previous year's pace, reported the **Electronic Industries Association (EIA).** Through November 1986, color television sales to dealers exceeded the first 11 months of 1985 by more than 6%. Sales of black and white models were up 7% compared to the same period a year ago. Sales of projection televisions increased 21% over the year-ago period. The EIA also reported that more than 11.5 million video cassette recorders were sold during the first 11 months of 1986, a 12% increase. Camcorder sales for the period topped the previous year's total by 163%.

Home Video Sales to Retailers
(In Units)

Product	Jan.-Nov. 1986	Jan.-Nov. 1985	% Change
Color TVs	16,323,082	15,317,699	+ 6.6
Monochrome TVs	3,529,739	3,291,065	+ 7.3
Projection TVs	277,726	229,256	+21.1
VCRs	11,535,412	10,320,715	+11.8

Source: Electronic Industries Association

Toys 'R' Us Trims Expenses, Passes Along Tax-Cut Savings

ROCHELLE PARK, N.J. — Toys "R" Us (TRU), the nation's largest toy store chain, is moving aggressively in 1987 to open about 60 new stores, including its first attempts to crack into two new markets.

At the same time, the 271-store giant is reducing operating expenses to offset increases and cutting prices by passing along its expected savings from the new tax law.

Like many other retailers, TRU will benefit from the recently passed tax law, but—unlike most others—TRU announced it will pass along tax savings to consumers in the form of reduced toy prices.

The chain's effective tax rate will fall to 41% from 47%, resulting in a savings of between $30 and $35 million, a company spokeswoman said. In addition, under the new law, the tax rate will fall to a maximum of 34% July 1.

The tax cost reduction, plus money saved from pared operating expenses, will result in a $50 million cut in toy prices for TRU customers this year.

The announcement of the pass-along savings touched off similar statements from two discount chains, Wal-Mart and Target, that they, too, would make price reductions based on their tax savings. Officials at all three companies declined to discuss what form the price cuts would take.

A key element of TRU strategy this year is to cut operating expenses. A company spokeswoman said that TRU will install laser scanners during the next 18 months in an effort to increase efficiency at store level. This technology is expected to speed customers through the register and double the sales volume capabilities available at the stores. Yet TRU anticipates making no staff cuts as a result.

A new payroll productivity system also has been put in place at store level to ensure efficient staffing.

Overall, these expense trimmings will result in a decrease in selling, general and administrative costs of about 14%, while selling space rises by 20%, in fiscal 1987, John W. Weiss of Montgomery Securities noted in a research report. That decline contrasts with expense increases of 35% in 1985 and 19% in fiscal 1986.

The company announced plans to open about 60 more stores in the U.S., including its first units in Pittsburgh and Phoenix.

While the chain reported that Christmas sales grew a strong 27% over last year, TRU experienced weak sales in economically strapped Texas and Oklahoma.

Chainwide sales for the 11 months ended Dec. 28, 1986, rose slightly to $2.3 billion, or 23.2%, from $1.9 billion in the comparable period a year ago.

Sales during the eight-week Christmas selling season (Nov. 3 to Dec. 28, 1986) totaled more than $1 billion. TRU reported that holiday sales rose 26.8% to just over $1 billion from $826 million during Christmas 1985.

The toy chain's market share reached 15% by the end of 1985. The company expects to capture more than 20% of the U.S. toy business by the turn of the century if the retailer continues its roughly 2% annual market growth rate.

In addition to its strong domestic sales, TRU reported comparable toy store sales rose in Canada and the United Kingdom, countries where the retailer plans to build more stores this year.

In 1987, the company also will introduce its discount toy stores into West Germany.

Besides growth in toys units, Kids "R" Us, the company's 43-unit specialty children's clothing store chain, added 25 stores this year, mostly in the Midwest.

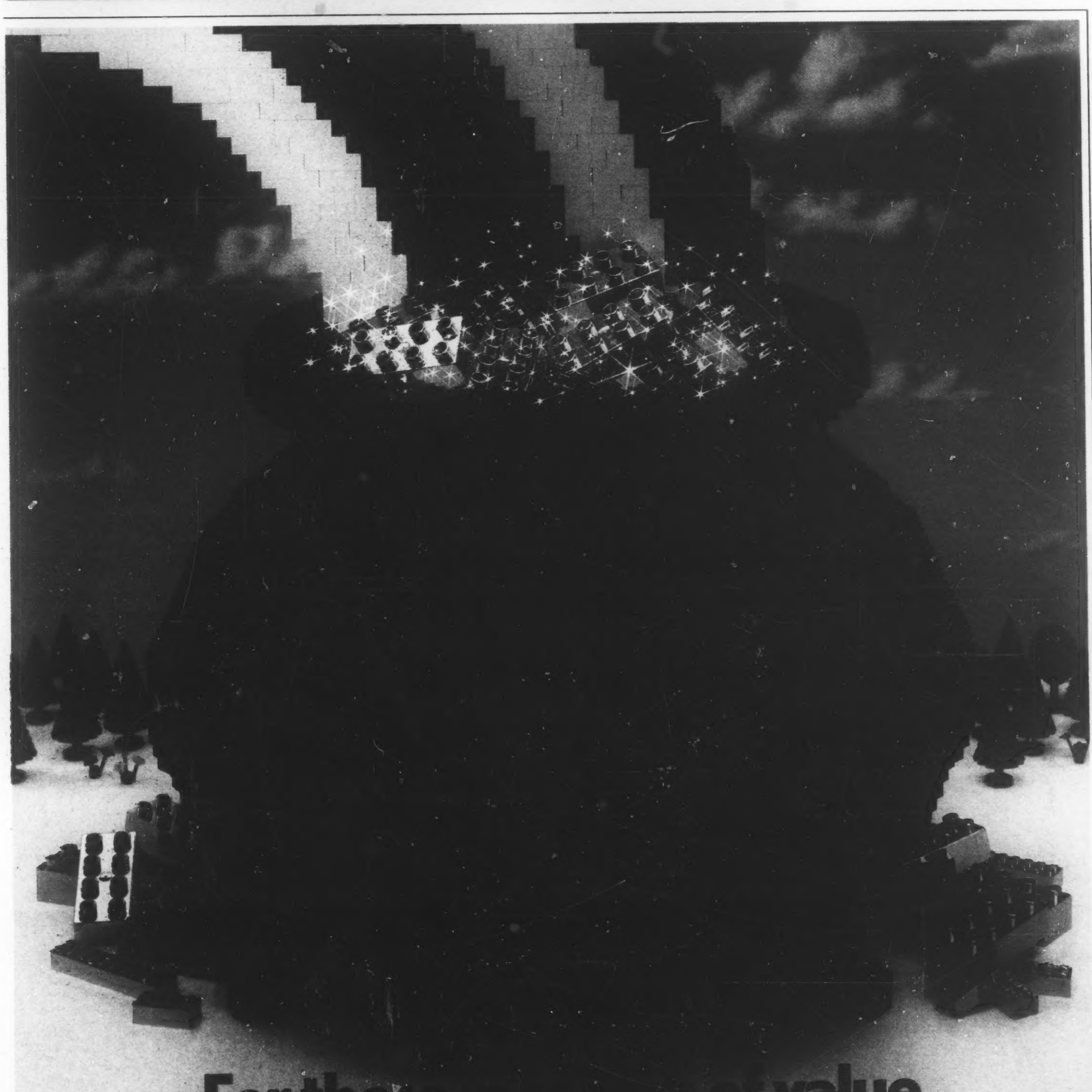
Top Toy Chains to Open 158 Units

Chain (HQ. State)	Projected Fiscal 1986 Sales (Millions)	Number of Units 1/86	1/87	1/88	Avg. Store Size (Sq. Ft.)
Toys "R" Us (N.J.)	$2,434*	233	271	331	25,000
Child World (Mass.)	629*	120	134	149	36,000
Kay Bee (Mass.)	505*	584	639	699	3,500
Lionel (Pa.)	272	56	66	67	25,000
Greenman Bros.** (N.Y.)	158	310	338	350	3,500
K & K Toys (Va.)	44*	96	105	115	3,200

*DSN estimate
**Includes Playland, Playworld and Circus World units

Source: DSN research

The tax cost reduction, plus money saved from pared operating expenses, will result in a $50 million cut in toy prices.


For those in search of value,
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For many years LEGO Systems has provided the support needed to deliver you the "Pot of Gold." More profit than any other toy of its kind. The reasons we're able to do this are simple. When it comes to Promotion, Sales Support, Advertising, Merchandising Expertise and Products, we are the leader. And we intend to stay that way.
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Heck's Merger Collapses; Retailer Seeks New Buyer

NEW YORK — The proposed acquisition of Heck's has been called off and the West Virginia chain is now shopping for new buyers.

The Toussie-Viner Investor Group, which had been planning to buy Heck's for $145 million, terminated the deal abruptly in early February citing poor financial performance by the Midwestern and Mid-Atlantic retailer.

Heck's attorney Bill Bragg told *DSN* that Heck's has asked its investment banker, Donaldson Lufkin & Jenrette Securities Corp., "to seek out and initiate talks" with other potential buyers. "We're considering several options," he said, "including the sale of all or part of the busi-

(Continued on page 109)

Hills Invades Michigan With Three-Store Foray

CANTON, Mass. — Hills Department Stores is venturing into the Grand Rapids, Mich., market with three new locations by fall 1987.

Hills also will expand into the New York and Ohio markets by spring and fall with new locations in Plattsburgh, New York; and Chillicothe, New Philadelphia, Miamisburg and Lancaster, Ohio.

In the Michigan market, the $1.5 billion chain is planning a store in the Northtown Shopping Center, a new construction in Holland and to renovate a former Yankee Department Store in Wyoming, Mich.

"We've done extensive research throughout Grand Rapids," said Nan Rutter, director of consumer affairs.

(Continued on page 109)

Traditional Columbus Chains Brace for Superstore Assault

By MARY ELLEN KELLY

COLUMBUS — Meijer Thrifty Acres might be a newcomer to this city, but already the food/general merchandise superstore combination has attracted over 20% of the shopping public, said a Columbus-based retail specialist.

While that number pales compared to the 62% share figure of Federated Department Store's Lazarus chain and the reported 50% to 60% shares K mart, Gold Circle, J.C. Penney and Sears boast about, Meijer had only one Columbus location open when this study was conducted last year. Knowledgeable sources in the market said Meijer, which has plans for at least one more unit this year, has targeted Columbus as a growth market for the chain.

Drug Emporium, Gold Circle, Harts, The Limited and other greater Columbus natives are bristling in response to the arrival of Grand Rapids, Mich.-based Meijer, as well as

2	2	2	66,000
2	2	2	60,000
5	6	7	17,000
5	5	5	75,000
6	6	6	67,500
7	8	9	80,000
8	8	8	55,000
3	3	3	19,000
0	1	3	180,000
1	1	2	40,000
5	5	6	75,000
0	1	2	135,000
17	20	24	**
0	2	2	100,000
0	2	2	100,000

a new generation of competition that has carved out a home in the retail environment. Besides Meijer, the past year has seen The Andersons, The Warehouse Club and The Wholesale Club all stake out claims to the Columbus market.

All this new-store activity is occurring in a market that does

(Continued on page 109)

Textures, Detailing Work Their MAGIC On Youth-Oriented, Calif. Men's Wear

Men's wear buyers from chains such as Harts, Columbus, Ohio, will review fall lines at the L.A. MAGIC show this month. (DSN photo)

By KAREN PAXTON

LOS ANGELES — The magic words from the West Coast for next fall's men's wear season are "surface interest."

At this month's Men's Apparel Guild of California (MAGIC) show here, vendors are expected to offer a melange of man-made textures: combinations of woven and knit fabrics in jackets and tops; various types and colors of yarns and stitches in sweaters and woven shirts and pants made from fabrics that have literally been through the wringer—laundered, bleached, stone washed or pigment dyed.

The silhouettes are virtually unchanged. Shirts are oversized and pants have the reverse silhouette: snug at the hip, full in the thigh and tapering to 16 or 17 inches at the ankle.

Nonetheless, the young men's-oriented California market, and most likely many of its East Coast competitors, are counting on textures, colors and detailing to help pull in orders. Discounters, as usual, will have one eye on at-once orders to fill out Father's Day and summer and the other eye on fashion looks for fall.

Mark Menzel, men's wear merchandiser

(Continued on page 27)

Penney to Unveil New Teleshopping Touch

By ARTHUR MARKOWITZ

NEW YORK — J. C. Penney this week will unveil a potential major breakthrough in electronic retailing: an interactive teleshopping system that uses a touch tone phone to access and purchase goods on a dedicated cable TV channel.

The system is called Telaction. Taking part in the demonstration and press briefing will be William R. Howell, Penney chairman, Ralph B. Henderson, executive vice president, and Stuart C. MacIntire, president of Telaction, a wholly owned Penney subsidiary.

The service could start as early as March 1 on three cable systems, American Cablesystem, Centel Cable and Continental Cablevision, serving a total of 50,000 subscribers in four Chicago suburbs: Aurora, Addison, Rolling Meadows and Northland.

A source at Centel Videopath, a cable TV interconnect, said it has a two-year agreement with Telaction to link the new service with the three cable systems starting March 1. Centel Videopath is a microwave common carrier and at presstime was awaiting FCC approval to provide the pathway to the three cable systems, which each would provide Telaction on a dedicated channel on their systems.

Trade reports last month had indicated that the first Telaction cable test will take place this summer in Chicago. Only the summer test date was confirmed by Duncan Muir, a Penney public relations manager.

The system's hybrid technology, a combination of videotext, laser videodisc and cable TV, is in the final stages of development by its originator, Cableshare, a publicly held hi-tech Canadian company, and by Telaction.

Cableshare has finished the

(Continued on page 110)

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MARKETWATCH

Another Venture Exec Jumps to Caldor

ST. LOUIS — The executive shuffle between The May Department Stores Company's discount store divisions continues. In the most recent move, Marc Balmuth, formerly executive vice president of Venture, has been named president of Caldor following the resignation of Leonard Williams. Balmuth will once again team up with Don Clarke, who left Venture as chairman last October to become chairman and chief executive officer of Caldor. A successor to Balmuth at Venture has not been named.

Sears Specialty Gets Multi-Talented Chief

CHICAGO — The head of Sears' new Specialty Merchandising Group is an executive with a wide-ranging background including audio-video retailing, direct mail and women's apparel. Alfred Goldstein, 54, named last month to oversee the new unit, was formerly president of specialty retailing at American Can, Greenwich, Conn., where he was responsible for the Musicland Group, a chain of audio-visual stores, and Fingerhut, a direct mail marketer of consumer products. Before that, he worked at Sears for 23 years, rising to vice president of women's apparel. The new unit is composed of two of Sears' specialty businesses, Business Systems Centers and the Direct Response Program. The firm is "exploring other possibilities" to add specialty concepts, said a Sears spokeswoman.

Lucky Completes Gemco Sale for $440M

DUBLIN, Calif. — Lucky Stores said the transfer of 76 of its closed 80-unit Gemco chain to Dayton Hudson has been completed for approximately $440 million. The units are expected to bolster the presence of Target, Dayton Hudson's discount chain, in the California market. Lucky also announced it completed the sale of its Checker Auto Parts stores for about $155 million. And, the company, which is restructuring to focus more on its 572 supermarkets, said discussions are underway for the sale of its remaining discount store division, Yellow Front Stores.

Value House Joins Associated Charter

ALBUQUERQUE, N.M. — Value House, the five-unit catalog showroom chain here, has joined the Associated Charter group and will use the cooperative coordinator's book starting this fall. The chain, which had been a member of the Paul Schultz Catalogs group, will start to use Associated Charter flyers later this year.

Home Shopping Stations Call Out 'HS'

CLEARWATER, Fla. — Home Shopping Network (HSN) has changed the call letters of its nine UHF-TV stations to its own nomenclature that includes the letters "H" and "S" for Home Shopping. The move will strengthen the identity of the stations as video retailers that are part of HSN. The markets served by HSN and the stations' new call letters and channel include Chicago, WEHS/60; Los Angeles, KHSC/46; Boston, WHSH/66; Houston, KHSH/67; Philadelphia, WEHS/60; Cleveland, WQHS/61; Baltimore, WHSW/24; Newark, N.J., WHSE/68, and Smithtown, N.Y., WHSI/67. HSN plans to acquire as many as five more UHF stations.

Rochester Cable Signs with Cable Value

ROCHESTER, N.Y. — Greater Rochester Cablevision (GRC) has picked up the Cable Value Network (CVN) as the replacment for the Value Club of America, a standalone teleshopping service, which stopped broadcasting on the Rochester system just after Christmas. GRC is owned by American Television and Communication, which is one of the 23 cable systems that together own a 50% share of CVN.

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Former Bradlees President Named

Stuarts Hires Kohn as Chief Exec

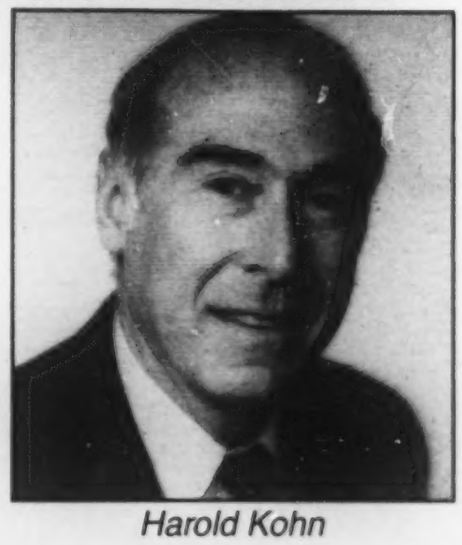
HOPKINTON, Mass. — Stuarts Department stores, which is in the midst of adjusting part of its merchandising program, has hired former Bradlees president Harold Kohn to serve as president and chief executive officer.

"I think the stores have already done well and have the opportunity to be the shopping headquarters in each of its trading areas," said Kohn, reached on his second day at Stuarts.

Kohn, who joined the 21-unit operation at the start of this month, has also been named a director of the company. In addition to his eight-year tenure at Bradlees, he worked at Abraham & Straus in New York where he became senior vice president.

Stuarts is more comparable to Zayre than Bradlees, according to Joe Garb, vp of finance at the discount chain. "We deal with the middle class, blue collar consumer," he said.

(Continued on page 110)



Harold Kohn

Reagan Backs Off on Gray Market

WASHINGTON — The White House has added fresh fuel to the efforts of multinational manufacturers to curb the availability of gray market imports to discounters.

The President decided not to overturn a controversial International Trade Commission decision that unauthorized "gray market" imports of Coleco's popular Cabbage Patch Kids dolls illegally infringed on the doll maker's "exclusive copyright rights."

The Administration's action in this case came as a surprise to several ITC officials, who told *DSN* that they were expecting the White House to reject the agency's findings in this investigation as it did in a previous ITC gray market decision involving unauthorized imports of Duracell batteries.

At that time, President

(Continued on page 109)

K mart Links Cosmetics & Apparel

TROY, Mich. — K mart will test a new cosmetics boutique near its apparel and jewelry departments in an effort to create a snyergy between these fashion-oriented categories.

The chain expects to test the new merchandising strategy in 50 stores during the first half of this year.

"The idea is to develop the fashion potential of the health & beauty aids department by bringing apparel, jewelry, cosmetics, fragrances and nail care into one area of the store," said Leo Camara, a former H & B A buyer who is developing the concept. Camara's new buying responsibilities include only cosmetics, fragrances and nail polishes.

Ethnic, cream, lotion, depilatory and acne formulas, formerly among the lines Camara bought, will be reassigned.

If plans are approved by K mart management, the boutique would occupy about 70 linear feet on a black lacquer finger wall fixture, Camara said. The display, which is being built for the discounter, is still in the design stage.

K mart will decide later this month whether to expand this H & B A relocation beyond the test stores, he added.

DSN 25th ANNIVERSARY TRIVIA QUIZ: 1965

The mood in 1965 continued as heavily expansionist. Some department store personnel began to come over to the discounters. Pennsylvania discounter druggists k.o.'d pharmacy board opposition and discounter pharmacies. Lessees continued to shrink as chain central merchandising control grew more dominant.

DSN invites you to test your recall of industry events of 1965 with the questions that follow. As part of our 25th anniversary, DSN is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, including your name, address and telephone number, on standard letterhead, and mail to:

Quiz Editor—2/16
Discount Store News
425 Park Avenue
New York, N.Y. 10022

Winners and correct answers to each quiz will be announced in a future issue.

1. Site-seeking discounters, on an expansion kick, explored downtown locations in '65. Which of the following industry leaders did not go downtown that year?
a) K mart;
b) Mason's;
c) Woolco.

2. Many lessees, being squeezed out of discount stores, switched to the landlord role. One of the first and most successful for a time in the Kansas city area was:
a) Zale Jewelry;
b) Parkview Gem;
c) Hardline Distributors.

3. Specialty departments began to grow. A New York discounter that built a 2,600-car lease department was:
a) Korvette's;
b) Alexander's;
c) K mart.

4. In 1965 colleges began to focus on the growing discount phenomenon in retailing. The first such industry study was done in '65 by:
a) Harvard;
b) Univ. of Mass.;
c) Cornell.

5. Kresge president Harry Cunningham reported that stores in their second year had substantial sales gains of:
a) 9%;
b) 20%;
c) 34%.

6. Drug departments expanded to 2,600 feet, but most discounters still treated the department as a traffic puller, with markups averaging:
a) 19%;
b) 23%;
c) 26%.

7. In a typical discounter drug department (lessee Nescott) the top non-drug category, with 9½% of footage, was:
a) paper goods;
b) art supplies;
c) greeting cards.

8. Early morning store hours in 1965 were governed more by cost considerations than competitive factors. The usual store opening hour that year was:
a) 8:00 a.m.;
b) 10:00 a.m.;
c) 12:00 p.m..

9. Expansion was the prime driving force for discounters, according to the 1965 DSN census. The report recorded shattering footage gains for the census year at 11.4%, or:
a) 7 million feet;
b) 15 million feet;
c) 40 million feet.

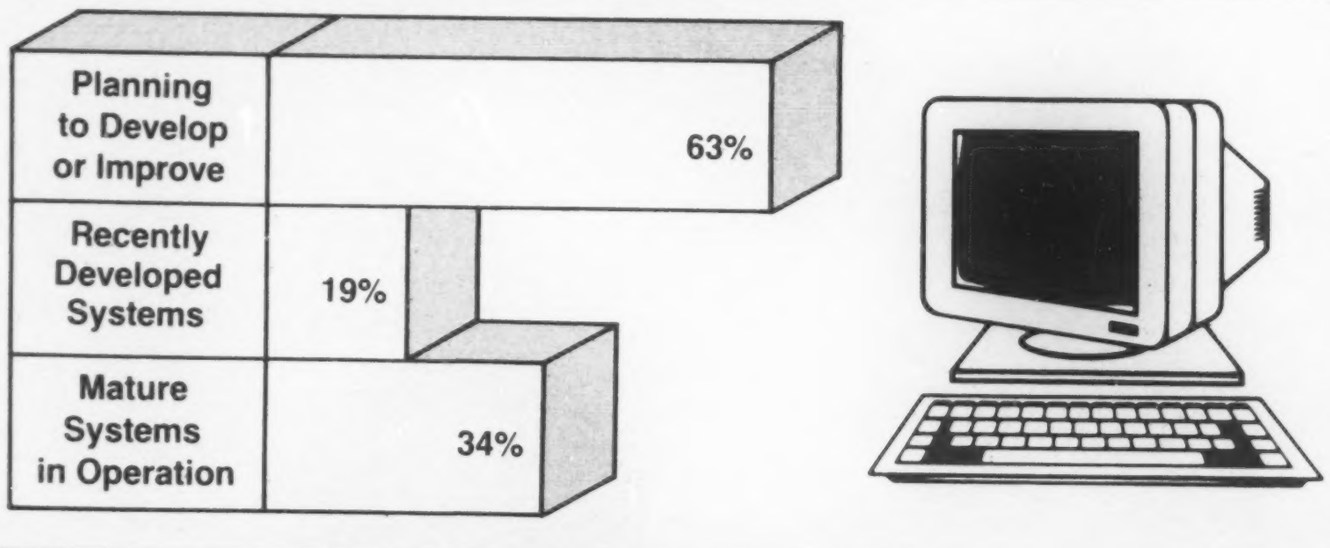
10. At the same time, stores pushed out the walls to house bigger assortments. Average store size that year was:
a) 75,000 sq. ft.;
b) 90,000 sq. ft.;
c) 110,000 sq. ft.

11. Discounters rental per sq. ft. (gross space) was lower than all other classes of retailers by far. What was the average reported rent?
a) $1.19 per sq. ft.;
b) $1.49 per sq. ft.;
c) $2.75 per sq. ft.

Retailers Target Purchase Order Systems for Improvement

Discounters and Mass Merchants Plan to Improve Purchase Order Management Systems

Six out of 10 retailers surveyed plan to develop or improve their purchase order management systems in the next 18 months.



Source: Arthur Young

NEW YORK — Mass merchandisers and discount store operators queried in a survey late last year reported that purchase order management is their hottest application area for future systems development.

More than half of executives representing 32 discount, general merchandise, drug and variety store chains anticipated that they would develop or improve a purchase order management system within the next two years, concluded a study entitled, "Retail MIS: Expenses and Trends," conducted by Arthur Young, the accounting and consulting firm based here.

While 63% of these respondents said they plan to develop or improve their purchase order management system, 19% more said that they have recently developed one, and another 34% reported maturity in this application area.

"Merchandise planning is more important for seasonal goods stocked by specialty and department stores," said Frank Andrews, manager of retail consulting at the consulting firm. "Mass merchants depend more on deal buys and stock more basics; purchase order management is more important to them."

The survey, which polled a total of 127 retailers generating aggregate annual sales of some $100 billion, also found that retailers greatly increased their spending for information systems last year and are planning a new push toward integrating their data systems. The respondents spent a total of $859 million, or 0.91% of sales, in 1985 on information systems, a 12% increase over the previous year. A majority said they plan to improve the integration of point of sale, purchase order, inventory control, stock replenishing and accounts payable systems.

The survey, which polled a total of 127 retailers generating aggregate annual sales of some $100 billion, also found that retailers greatly increased their spending for information systems last year and are planning a new push toward integrating their data systems.

"The majority of retailers now possess enough computer power to bury themselves in data," said Andrews. The new priority to integrate systems "is an effort to let the left hand know what the right hand is doing. Integration allows the different functional areas to use the same information in decision-making."

Discounters Had High Costs

Of the several types of retailers surveyed, mass merchandisers and discounters had the highest relative MIS costs, expressed as a percentage of sales. These stores average systems cost represented 1.11% of sales, compared to average MIS costs of department stores (0.81% of sales), specialty stores (0.9%) and combination/grocery stores (0.7%).

Regarding data capture systems, the survey found that UPC is the method used by 50% of the total retailers and 44% of the mass merchandise/discounters that use scanning technology. Fifty-five percent of the mass merchandise/discount stores use hand-held laser guns.

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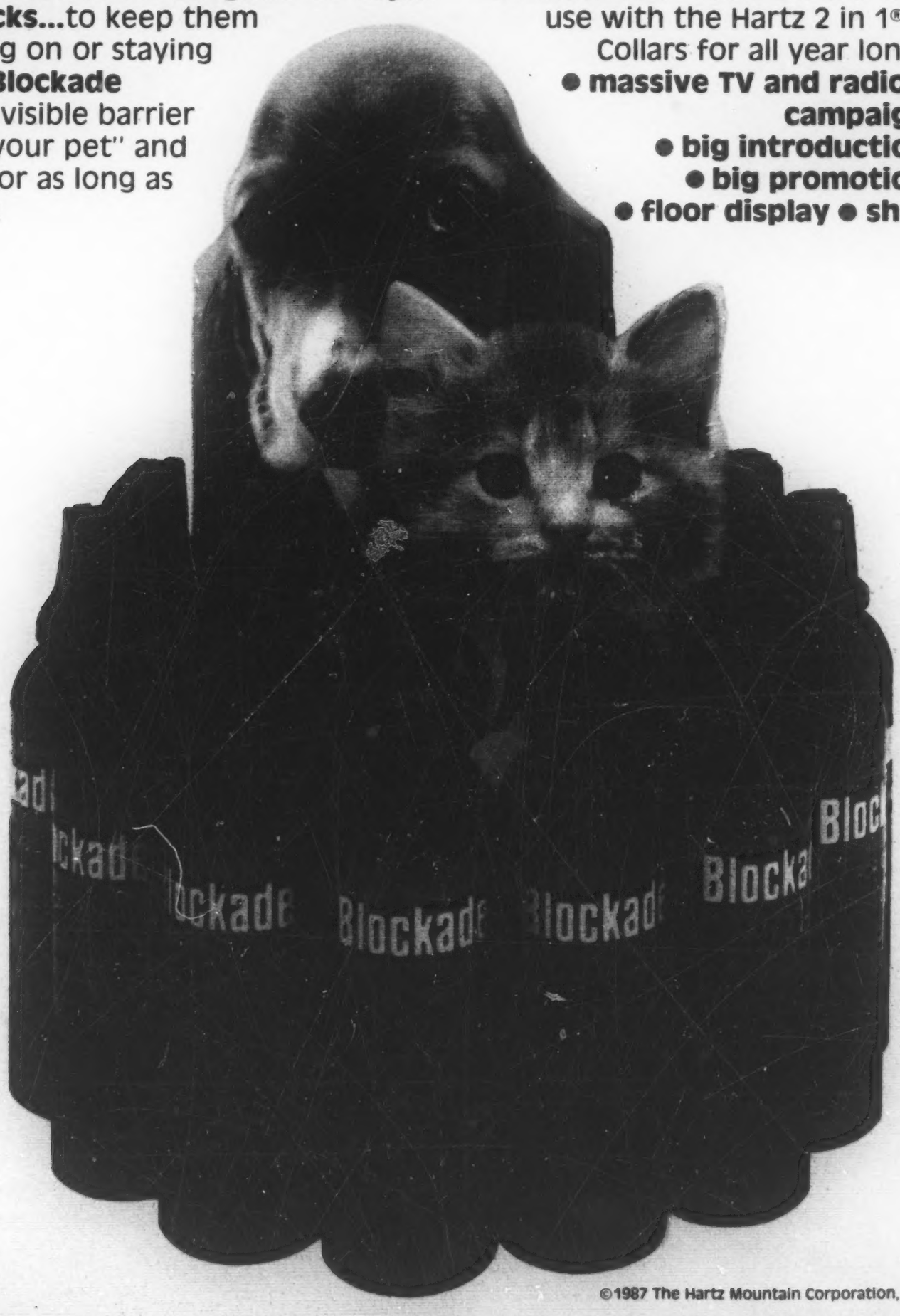

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APPAREL

Gear Apparel to Young Family Man, Poll Says

Nationwide DSN Report

The typical discount store shopper may be a woman, but men buy 60% to 70% of their own basic clothing items, according to a recent consumer poll.

Who are the men who buy those basics at discount stores? How often do they buy? When? What do they look for?

A recent consumer poll conducted for *DSN* by Leo J. Shapiro and Associates, the Chicago-based research firm, examines how men approach their basic clothing buys for the colder seasons using last year's fall/winter shopping as a barometer.

The survey asked men about several basic items: jeans, socks, dress shirts, casual shirts, sweats, dress shirts, neck ties, outdoor jackets and underwear.

The findings suggest that, in general, discounters should merchandise their sections toward a younger male who has a family. In addition, discounters should get out of the winter-oriented garments by the end of January.

Men who purchase apparel at discount stores are younger, from larger households and more likely to have children than the total population.

Men buy the majority of their basic clothing for themselves, according to the survey. Those polled said purchases made by others, presumably the women in their lives, accounted for anywhere from 30% to 40% of total purchases in each category.

Men reported buying their own underwear, neckties and outdoor jackets more often than the other apparel items.

For the fall and winter seasons, about a third of the men polled made their first purchase in September. When asked when they make their final purchase of fall/winter clothes, 30% said December or January. However, as expected with such basic items, 26% said they would buy slacks, jeans, neckties, dress shirts and other staples any time of the year.

Just over half, 52% of men surveyed, reported that at least one of the nine items was purchased at a discount store. Close to a quarter (22%) of the respondents spent over $100 on clothing at discount stores in the past year.

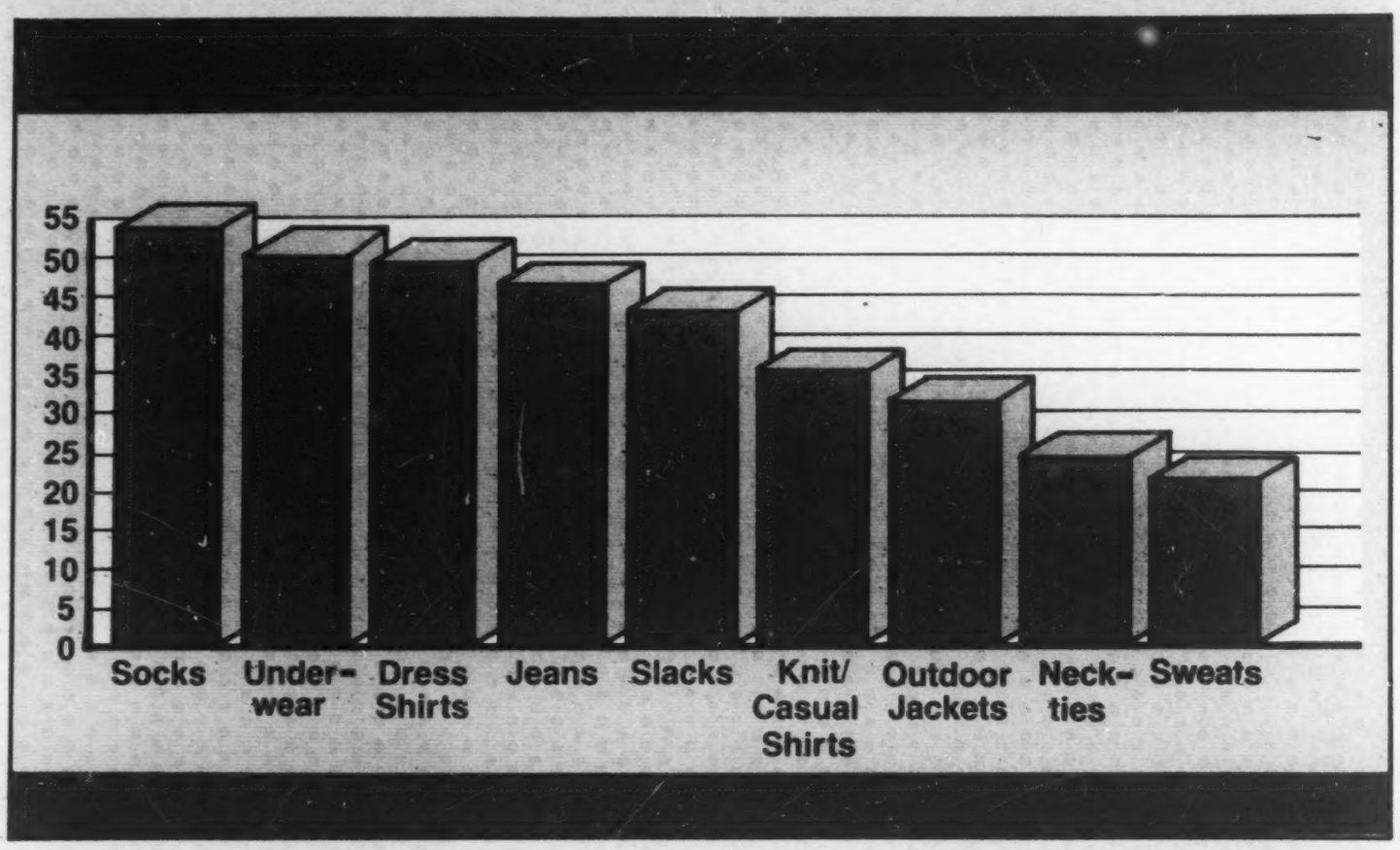
Men making purchases from a discount store are younger and from larger households than the total population. They are also more likely to have children.

That age factor influences color preferences as well as styles and places to shop. For example, twice as many men in the 30 to 44 year age range are thinking of buying something red this year, compared to men 45 and over. In the under 30 age group, three times as many said they were thinking of buying a red-colored article of clothing.

Likewise, tan/beige was mentioned twice as often by men 45 and over, than by those under 45. Gray and brown were also more popular with older men.

Green was the only color

(Continued on page 32)



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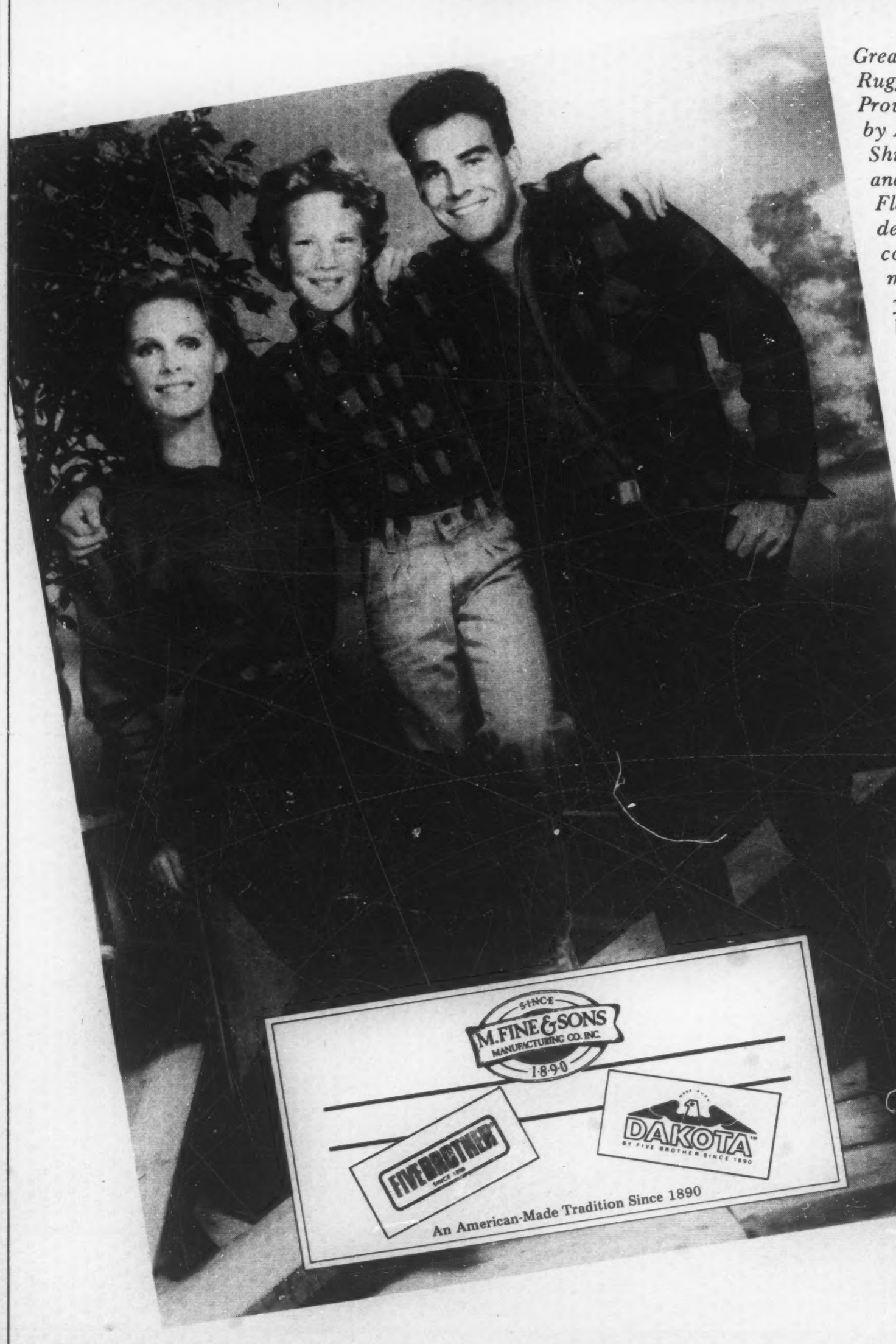

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Population's Aging Promotes Apparel Demand Growth

WASHINGTON — The demographic trend for the rest of the century suggests a promising scenario for the ready-to-wear marketplace, according to a study by U.S. Commerce Department economists.

Expected shifts in the makeup of the U.S. population during the next dozen years created by an aging U.S. consumer, "bode well for the apparel market and for companies who take advantage of the opportunities," researchers said.

According to the Office of Textiles and Apparel, "the fastest growth in the population will be among those from 35 to 54 years old, who typically have rising incomes and high rates of consumption, and therefore are a key element in the growth of demand for apparel."

U.S. ready-to-wear manufacturers got some help from the "substantial acceleration" in 1986 personal consumption expenditures on clothing—about 6% after adjustment for inflation. However, economists reported that apparel imports (valued at $17.8 million) were a key factor in the 1986 growth.

Last year's consumer spending for clothing triggered only "a relatively sluggish recovery" from the late 1984 "slowdown" in domestic apparel shipments, according to the report. "Current dollar" shipments by U.S. apparel manufacturers rose 3% in from 1985 to 1986, to $59.1 million, after dropping 0.2% from 1984 to 1985.

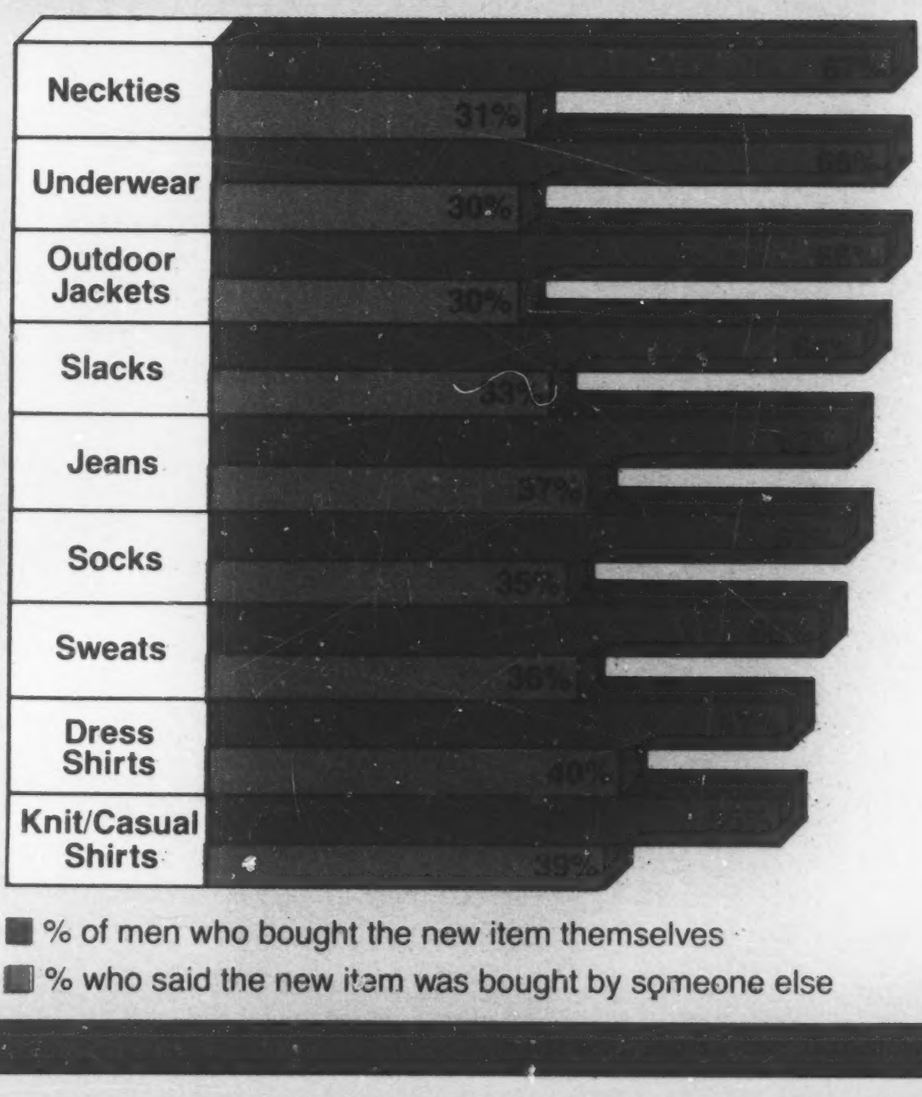
"Faced with the challenge of rapidly growing imports, the U.S. apparel industry has developed a number of strategies to maintain its position in the domestic market and to take advantage of emerging marketing opportunities," Commerce Department economists said.

Among the competitive responses in the works for American ready-to-wear manufacturers are increasing use of high tech equipment and better production sites, they reported. The industry is emphasizing quick response systems including faster feedback of marketing information between retailer and manufacturer.

Category	1984	1985**	1986**	Per Cent Change Compound Annual 1972-84	Compound Annual 1979-84	Annual 1984-85	Annual 1985-86
Women's/Misses' Blouses	$3,579	$3,473	$3,511	9.1%	6.0%	−3.0%	1.1%
Women's/Misses' Dresses	4,996	4,903	4,891	2.8	4.1	−1.9	−0.2
Women's Coats/Suits	4,239	4,145	4,250	7.4	6.8	−2.2	2.5
Men's & Boys' Coats/Suits	3,209	3,116	3,126	2.5	4.0	−2.9	0.3
Men's Shirts/Nightwear	3,689	3,534	3,598	4.8	2.6	−4.2	1.8
Men's & Boys' Trousers	2,373	2,295	2,362	2.6	3.7	−3.3	2.9
Men's & Boys' Work Clothes	5,130	5,246	5,426	9.4	6.2	2.3	3.4
Children's Dresses/Blouses	1,332	1,311	1,351	6.1	8.3	−1.6	3.1
Children's Coats/Suits	173	164	175	−0.7	−0.7	−5.0	6.8

Source: U.S. Department of Commerce

Men Purchase Most Fall/Winter Basics Themselves



Gear Men's Apparel Toward Young Family Man: Survey

(Continued from page 31)

that appealed more strongly to those in the middle (30 to 44 years) age range, than others. Some 13% of those men said they would like something green compared to 5% of those younger and 6% of those older.

As a group, those who shopped for men's wear at discount stores are as affluent and as educated as those who did not. On average, men spent $236 for fall and winter clothes last year and of that figure, 41%, or $96 was spent at discount stores.

Socks and underwear lead the list of basic items men purchase new for the fall/winter season; 54% said they got new socks and 50% said they got new underwear. Dress shirts are also an item that men often add to their wardrobes for the colder seasons; 49% of those polled did. Sweats got the smallest response with only about 21% buying new sweats for the fall/winter season.

Socks were the item most often purchased at discount stores. A quarter of those who had purchased socks did so at a discounter. A sizable number (22%) bought underwear at discount chains as well. Some 21% bought jeans at a discount store.

Dress shirts, neckties and slacks were least often purchased at a discount store, according to men polled. For those items, specialty stores, department stores and Sears, Ward and Penney as a group had a larger share of the business.

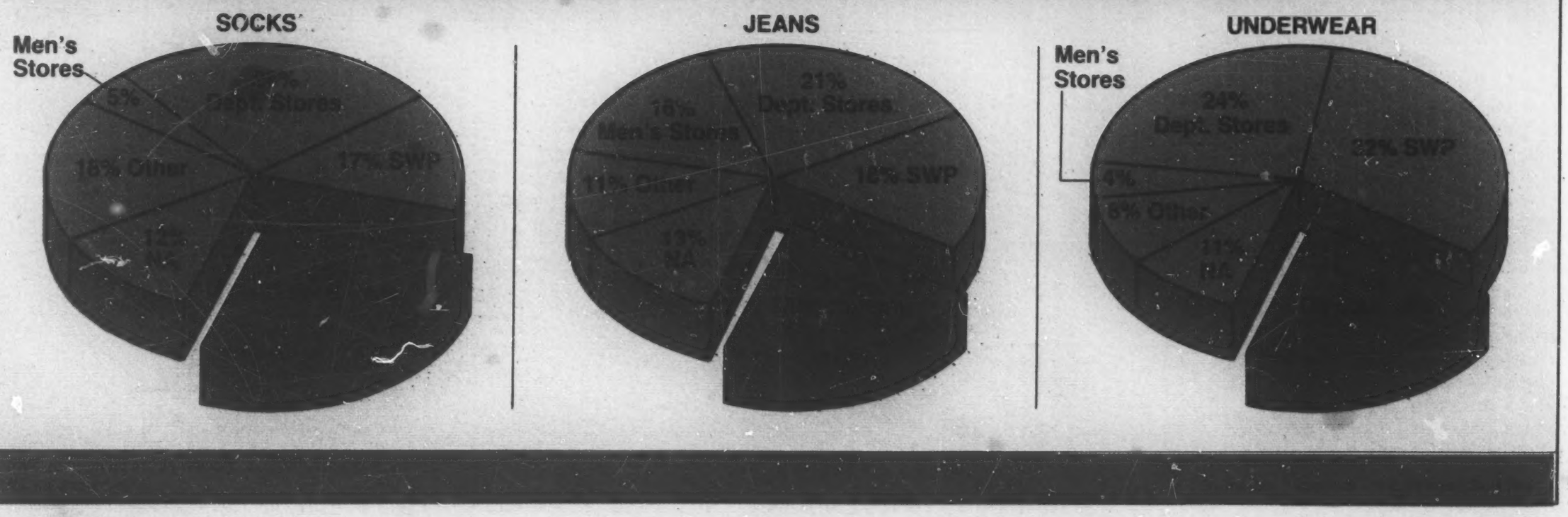
In fact, Sears was mentioned most often as the place where someone other than the male (user) made a men's wear purchase.

The men themselves tend to go shopping for clothing an average of 8.7 times a year. Respondents were specifically asked to include trips for small items as well as large purchases. The median was only five times a year; half of those surveyed shopped more often than five times, and half shopped less often.

All told, 36% of those polled had purchased clothing at J. C. Penney in the past year; 31% had bought something at Sears and 9% had bought clothing at Montgomery Ward.

The *DSN*/Shapiro findings are based on interviews with 415 men in a national sample of 900 households.

Socks, Jeans, Underwear Lead Over-the-counter Sales to Men



Home Products

A 3½-ft. freestanding display of prerecorded videotapes at Jamesway in Freehold, N.J., is part of a wide selection covering an additional 16 ft. (DSN photo)

Prerecorded Videotape Sales Explode as Prices Tumble

Nationwide DSN Report

The sell-through market of prerecorded videotapes to discounters is booming due to lower price points of both the software and hardware and the ease of operating the department through use of rack jobbers.

Discounters, who initially thought the rental market would be the more promising one, now say the sale market has become their true profit maker. K mart, Jamesway, Heck's, Gold Circle and Ames are among the chains that are more aggressively advertising prerecorded videocassettes and enlarging their departments.

They cite three reasons for their optimism:

- Prices of even the most popular titles have dropped by as much as 60%, and further price slashing is predicted. The decline in the price of the software follows the already well-documented boom in the sale of more affordable videocassette players.
- Studios that release the tapes are becoming more sensitive to discounters' needs, especially in terms of lead time required for retailers to establish their advertising plans.
- And, the studios are devoting more attention, and money, to promotions geared for discounters.

In 1987, 110 million prerecorded videocassettes, worth $2.8 billion, will be sold to retailers, the Electronic Industries Association forecasts, with prices per unit averaging $25. In 1985, the average price per tape was $34.

Despite this increased awareness of the sale market, most discounters feel that studios are just beginning to understand how to sell through their outlets.

Falling Price Points

When studios became interested in capturing discount store business, they dropped price points from between $60 and $80 to between $24.99 and $29.99 for their top hits. However, they failed to take into account the necessary lead time discounters need due to long-term advertising planning. For instance, it was announced in January that the videotape of the popular film *Top Gun* would be released on March 11. By the time they received the announcement, most discounters had already set their ad plans for March.

But, studios appear to be waking up to discounters' needs by providing more advance notice on release dates. Promotions for Christmas 1987 will be unveiled at the June Consumer Electronics show.

Studios are also beginning to devote more promotions to discounters. For example, HBO/Cannon plans ad-

(Continued on page 43)

MARKETWATCH

NEW YORK — **Crazy Eddie** is reportedly preparing to acquire Benel Distributors, which operates record and video concessions in its stores, and Disc-o-Mat, operator of six record shops in New York and New Jersey. Benel is owned by Ben Kuszer, brother-in-law of the chain's founder, Eddie Antar, and Kuszer's wife. In a report filed last month with the SEC, the chain said it is discussing the possible acquisitions and close observers expect the move to come soon.

* * *

CHICAGO — **The National Housewares Manufacturers Association** (NHMA) has named Richard J. Stern to the association's board of directors. Stern, president of Associated Mills Pollenex, was one of the more vocal manufacturers who suggested the NHMA return to a two-show schedule. His appointment fills the vacancy created by the resignation of Jack Eikenberg, president of Cuisinarts, and establishes a full 12-member board staff.

* * *

MINNEAPOLIS — **Best Buy,** the consumer electronics chain here, reported third quarter net earnings of $3.2 million, up from $1.8 million in the year ago quarter ended Dec. 31. Sales climbed to $88.6 million from $41.2 million in the previous year's third quarter. Nine month results showed net earnings of $6.1 million on sales of $168.7 million. The previous year's nine-month figures were $2.9 million net on $80.5 million in sales.

* * *

BALTIMORE — After a five year hiatus, Jack Luskin, chairman of **Luskin's,** the 56-store consumer electronics chain based here, has returned to television as spokesman to launch the chain's 1987 marketing campaign. Luskin was chosen to present the company's copyrighted "Promise" consumer benefit program and to introduce Luskin's new superstore marketing strategy. The "Promise" campaign guarantees shoppers that Luskin's will "beat any price in town," offers $1,500 instant credit and a Luskin's credit card and spotlights the chain's selection of over 3,000 products.

* * *

LAS VEGAS — **Blue Chip,** the Chandler, Ariz.-based electronics supplier, said at the Winter Consumer Electronics Show here that it is working with Hyundai car dealers to install and promote mobile phones selling for $599 to $699. Aimed at the mass market, the phone is being positioned as a safety item. The phone will be shown at the Summer Consumer Electronics Show in Chicago and orders will be taken for the fourth quarter.

Software, Hardware Price Cuts Spur Prerecorded Tape Sales

(Continued from page 37)
ditional rebate programs similar to a $5 refund it ran on the purchase of both *Rambo* and *First Blood*. A different kind of rebate was promoted by Vestron, offering retailers a $25 rebate per videotape sold of 27 selected titles, including the movie *Prizzi's Honor*, with proof of purchase.

The lower prices that discounters are seeing extend to other distribution channels as well.

Stephen Strome, vice president at Troy Mich.-based Handleman Company, a rack jobber for such discounters as K mart, Best, Hills, Jamesway and Wal-Mart, predicts that by second half of 1987, the prerecorded videotapes that were selling for $29.99 will drop to $19.99.

Strome said that a strong price-driven competition might occur on the "hit" titles but the stores that carry a full assortment of product can still maintain profit.

Discounters are increasing their own advertising efforts to raise the level of awareness among consumers, many of whom view prerecorded videotape as solely a rental item and do not realize the lower prices of the sale items.

K mart has increased its advertising to twice a month in such publications as *People* and *USA Today*, said Gene Rutkowski, home electronics buyer for the Troy, Mich.-based giant.

Secaucus, N.J.-based Jamesway goes after the sell-through market aggressively in its major circulars and other advertising. For example, before Christmas it ran a two-page standard ad and made good sales on *Indiana Jones and the Temple of Doom* and the Disney titles retailing between $14.99 to $27.99.

The ease of operation via rack jobbers has been a major factor in enabling discounters to capitalize on the sale market. Rack jobbers service the departments usually weekly or biweekly.

The jobbers use computers to track retail sales by category and item, monitoring the store's movers and replenishing the hot categories and titles. They test new titles and categories in the chains, and based on results, decide whether to expand selection.

In 700 stores, K mart has doubled the size of its prerecorded videotape department to 25 ft., and has plans to remodel another 700 to 800 units in early 1987, said Rutkowski, the K mart buyer. The chain has also expanded selection from 200 titles to 400 titles.

In 200 K mart stores, electronic centers are self-contained, bullpen-style, with all the videocassettes displayed in the open. Other stores display the promotional product openly and under on a slanted bookshelf-type end fixture with plexiglas shelves. The frontline movies, selling for $18.95 and up, are located in two showcases in the electronics center.

"We tested the concept of selling prerecorded video in 1984 and have increased sales five-fold since then, obtaining between five and six turns," Rutkowski said. He added that the key to success has

(Continued on page 45)

	1985	1986	1987
Total Sales to Dealers (In Millions of Units)	53	75	110
Total Factory Sales (In Millions of Dollars)	$1,800	$2,100	$2,700
Average Value ($ Per Unit)	$34	$28	$25

Heck's Will Test Videotape Rentals In 5 to 6 Stores

NITRO, W. Va. — Despite the difficulties other discounters have experienced in the rental market, Heck's, the 172-store chain based here, plans to test rentals of prerecorded videotapes in five to six stores this year.

"We don't want the 99¢ business," said Howard Holshouser, electronics buyer. "We hope to capitalize on the traffic draw videotape returns will produce when the same customers come back the next day.

"We realize all the problems other retailers have had in the past but since we do so well with the sale of prerecorded videotape we feel the same can be done with the rental market as well," he added. "We want to test it, make the necessary revisions and go chain-wide."

Ironically, discounters initially thought the rental market would be more promising than sales, but mainly due to operational problems in handling returns, the sale of prerecorded videocassettes has become most discounters' preferred strategy.

K mart's experience with videotape rentals typifies the problems experienced at many discounters. The Troy, Mich.-based chain tested video vending machines about six months to a year ago, but reported little success, mainly due to difficulty in returns. At the present time, K mart has no plans to get back into rentals again.

Open your eyes and see just how many subjects are covered in the new edition of the Consumer Information Catalog. It's free just for the asking and so are nearly half of the 200 federal publications described inside. Booklets on subjects like financial and career planning; eating right, exercising, and staying healthy; housing and child care; federal benefit programs. Just about everything you would need to know. Write today. We'll send you the latest edition of the Consumer Information Catalog, which is updated and published quarterly. It'll be a great help, you'll see. Just write:

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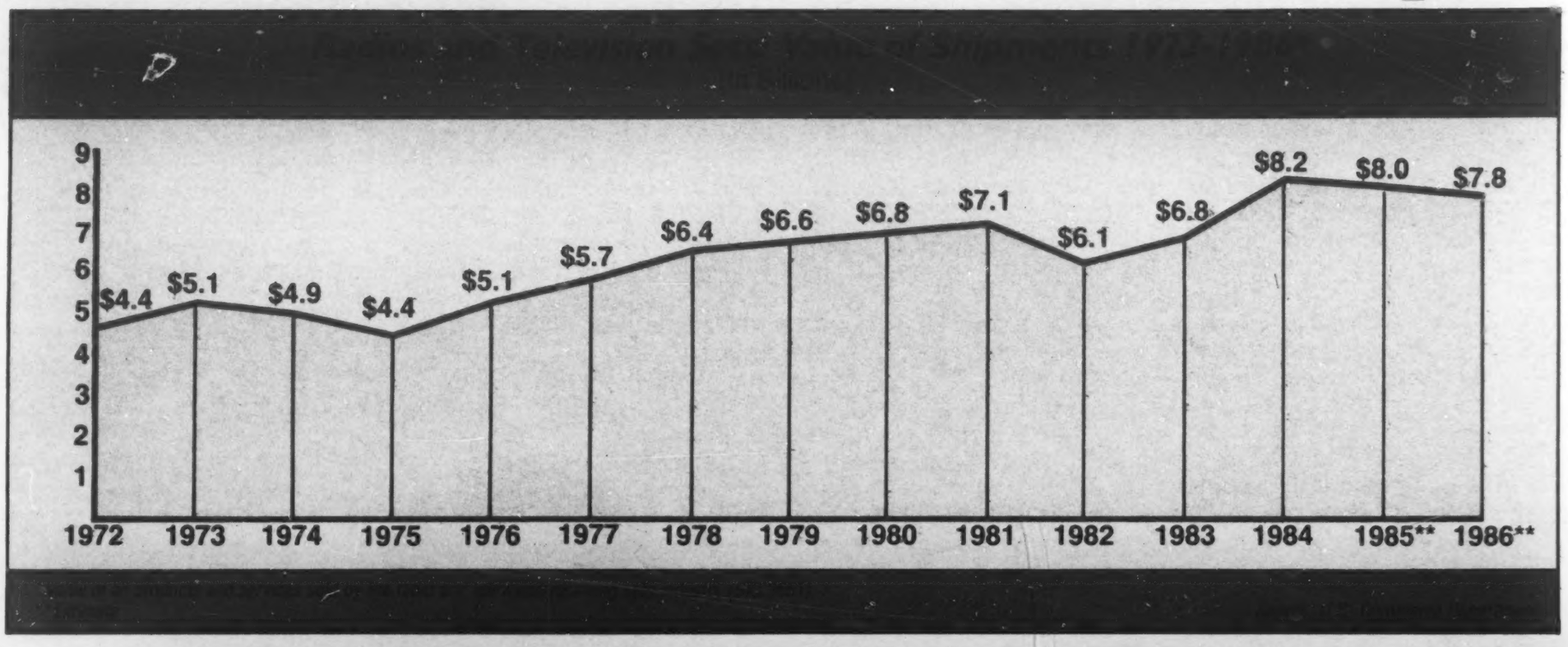
VCR Sales Grow Faster than Color TVs, Commerce Reports

WASHINGTON — Color TVs may soon lose center stage in retail consumer electronics departments—displaced by the skyrocketing growth of VCRs.

"VCR growth has outpaced that of color TVs over the past 10 years," U.S. Department of Commerce economists reported in a recent study. Shipments of video recorders to retailers—a total of 40,000 units in 1975—rose to 14.2 million by 1986.

"Current estimates of the number of households that own a VCR vary from 33% to 40%, and most industry experts believe that about two-thirds of U.S. households will have at least one VCR by 1990," Commerce Department researchers said.



Color TVs continued to be the consumer's electronic favorite.

Despite rapidly multiplying VCR shipments, however, color TVs continued to be the consumer's electronic favorite. According to the study, about 94% of U.S. homes have at least one color set. Nearly one-half of U.S. TV owners have two or more units.

Unfortunately for the U.S. consumer electronics industry, too many of those TVs (and all of the VCRs) were manufactured overseas.

"Imported color TVs and VCRs were an estimated 63% of apparent consumption in 1986, up from 59% in 1985," economists reported. Imports of color TVs rose 39.2% in the first half of 1986. In contrast, they estimated that U.S. production of color TVs in 1986 declined 1.3% from 1985.

On another consumer electronic front, researchers reported that shipments of compact disc players were "not up to industry expectations."

"Despite a dramatic drop in the retail price from $1,000 to about $200 in the last two years, sluggish sales, coupled with inventory buildups, led to a glut of CD players in late 1986," researchers said. Only one U.S. plant manufactures CD players, they reported.

Total domestic consumer electronic shipments are expected to decline 2.7% to $6.6 billion when final 1986 figures are analyzed. Imports will rise an estimated 2.1%.

Projections for the industry for 1987 are guarded. According to Commerce Department economists, a 1987 "slowdown" by the industry leaders (color TVs and VCRs) will result as prices "stabilize" and consumers cut back on spending for consumer electronics. Limited growth in other consumer electronic sectors can be expected by 1990.

"Domestic shipments of consumer electronic products are expected to decrease at a compound annual rate of 1.6% during the next five years," they predicted.

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It's the biggest! It's the best! It's the NHMA International Housewares Exposition, the grandaddy of them all! And our 86th edition boasts the most additions ever, so staying all four fun-filled days is a Must!
Brand new acts! A show-stopping procession features a mammoth display, spangled with new products and studded with surprises. Innovations get big ovations here!
Parade at our party! It's a cocktail party to beat the band. This circus-theme
celebration is our most gargantuan, most lavish to date. So, come in and around!
Wild minks! At the party, the fur will flying! We'll be having a drawing for t count 'em—two luxurious mink coats So, think mink!

Major Home Appliance Factory Shipments
(In Millions of Units)

	December 1986		4th Quarter 1986		Year 1986	
	Shipments	% Change	Shipments	% Change	Shipments	% Change
All Major Appliances	3.6	+20.9%	11.3	+11.3%	45.1	+ 7.8%
Cooking Appliances	1.5	+31.1	4.4	+12.3	15.6	+12.7
Electric Ranges	0.3	+10.9	0.9	+ 5.9	3.3	+ 5.6
Microwave Ovens	1.2	+36.4	3.6	+13.6	12.4	+14.3
Home Laundry	0.8	+19.8	2.7	+11.0	10.0	+ 8.9
Auto. Washers	0.5	+24.6	1.5	+13.0	5.8	+ 9.2
Dryers	0.4	+13.9	1.2	+ 8.6	4.2	+ 8.5
Kitchen Clean Up	0.7	+13.2	2.2	+10.1	8.4	+ 6.7
Disposers	0.3	+11.3	1.0	+ 8.7	4.3	+ 4.0
Dishwashers	0.3	+14.9	1.0	+11.1	3.9	+ 9.6
Food Preservation	0.5	+ 7.3	1.7	+ 6.2	7.7	+ 5.7
Refrigerators	0.4	+ 9.2	1.5	+ 7.4	6.5	+ 7.1

Numbers may not add because of rounding. Source: Association of Home Appliance Manufacturers

Appliance Sales Reach 45.1 Million Unit High

CHICAGO — A record 45.1 million major appliances were shipped in 1986, beating the previous high set in 1985 by more than 3.2 million units, said the Association of Home Appliance Manufacturers (AHAM). It was the third consecutive record year for the industry, with shipments 7.8% greater than the previous year. Exceptionally strong shipments in the fourth quarter, up 11.3%, drove year-end figures to exceed the industry's own forecast made in August.

December and fourth quarter shipments also hit record highs, with 3.6 million units for the month and nearly 11.3 million units shipped during the quarter.

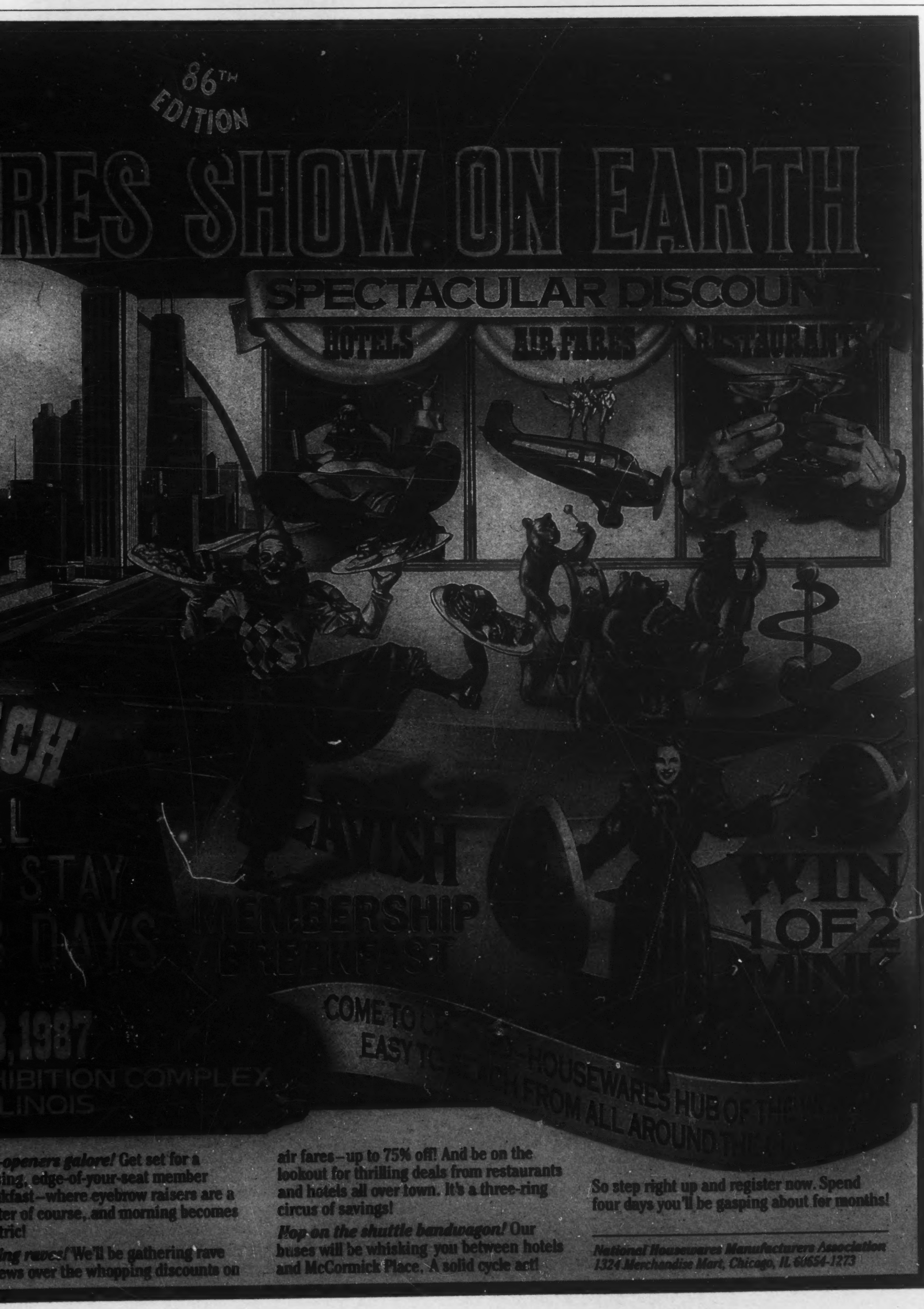
Four major appliances, microwave ovens, automatic washers, food disposers and dishwashers, set new annual shipment records last year.

The 12.4 million microwave ovens accounted for more than 25% of all appliance shipments last year. Shipments increased by 14.3% over 1985's total.

Automatic washers exceeded the year-earlier record by 9.2% with 5.8 million units.

Food disposers also shattered the previous year's record total with 4.2 million units shipped.

The 3.9 million dishwashers shipped in 1986 broke a 13-year-old record set in 1973.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Price Cuts Spur Videotape Sales

(Continued from page 43)

mainly been lower prices.

"We don't buy current movies sold to rentals at $90 to $100," Rutkowski said. "We only sell a combination of new and old titles for under $30." "We would like gross margins of 28% to 30% with prerecorded videotape," said Rutkowski. "It is a volatile type of business, though, with titles frequently changing, prices falling dramatically, and increasing competition. But I feel prices will settle and become much like a record or book department."

The bulk of sales for K mart are in the popular movies from major studios, accounting for 45% of the business. With the frontline movies and exercise tapes which retail for over $18.95, the chain can make as much as a 50% increase in dollar sales this year, Rutkowski said. Children's titles are presently a growth area for K mart, generating 20% of sales. Exercise tapes generate about 4% of sales while music, how-to and miscellaneous each account for about 2% of sales.

"The how-to category is small now but it will develop later," Rutkowski said.

Heck's, after gaining $1.2 million in sales in 1986 in prerecorded videotape, is expanding its display from 4 ft. to 12 ft. this year. "The time is right for the sell-through market with retail under $30 for most videotapes," said Howard Holshouser, electronics buyer for the Nitro, W. Va.-based chain. Some 40% to 50% of Heck's sales come from vintage video, the classic movies that sell for $7.99. Heck's is also planning to test videotape rentals in its stores this year.

Gold Circle is also expanding its department to 12 running feet of all categories, ranging in price from $29 to $4.99. Rocky Hill, Conn.-based Ames has also expanded its prerecorded video department with a 4 ft.-freestanding rack in all stores. It makes most sales with children's titles and old movies.

3/2/87 C5150-5

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Gemco Unit Conversion Stays Right on 'Target'

LOS ANGELES — Target's remodeling effort to convert the 54 Gemco stores it acquired is on schedule, with the first group of stores set to open in July.

The addition of the transformed Gemcos—purchased for about $440 million last year from Lucky Stores by Minneapolis-based Dayton Hudson—account for the majority of the 76 stores Target said it plans to open in 1987, bringing its total count to 320.

To take advantage of existing markets, Target will open its first stage of Gemco-converted stores in Target-established locations. Thirteen are set to open in southern California in July, where Target has been present since 1983, the chain said. The remaining stores will be opened in three more stages throughout the year, with the last 12 to be opened in the San Francisco Bay Area.

Calling it a "perfect match," Target said Gemco's typical 100,000-sq.-ft. stores are compatible with the average size of its prototype. The company said it is "essentially going in and ripping out the interiors" since there are few similiarities inside the two stores. Target said it assumed the real estate agreements, either ownerships or leases, which Gemco held in California, Nevada and Arizona. In addition to the 54 stores being converted, Target also acquired 24 other Gemcos, sold to a real estate interest.

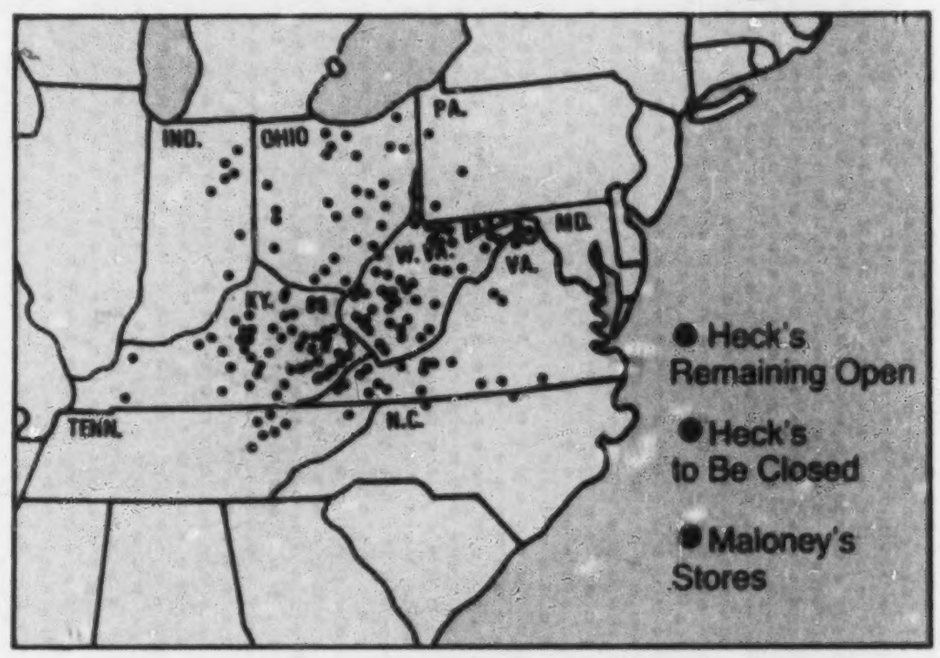
Lawsuit Hits Reeling Heck's As Retrenchment Plan Begins

NITRO, W. VA. — Embattled Heck's, reeling from the twin blows of slumping sales and a buyout deal that collapsed, will close 29 stores, eliminate staff, trim salaries and consolidate warehouses in an attempt to cut its losses.

Even as the company began retrenching, it was hit with another blow. Robert Toussie and Albert Lowenthal, principals in the Toussie-Viner Investment Group, which cancelled its $145 million acquisition of Heck's last month, sued the chain for more than $1 million. Both executives also resigned from Heck's board of directors.

The New York investors claim that their contract to

(Continued on page 66)



Heck's will close 29 stores and lay off 1,100 employees by mid-May, leaving the chain with 129 stores. DSN *chart*

K mart Creates Purchasing Post To Establish Central Reordering

TROY, Mich. — In a effort to place more purchasing control at headquarters, K mart has created a new executive position to develop and oversee a centralized merchandise reordering system.

In a separate move, the nation's second largest retailer has formed a new operational post at its 203-store Canadian retail division.

Barrett

Costine

Daniel Barrett has been named to the new post of director of centralized merchandise systems planning. He will report to Ward Walkotten, director for corporate systems planning, K mart announced.

Walkotten said Barrett will be responsible for creating a

(Continued on page 66)

Dayton Hudson Will Test Full-Price Teleshopping

MINNEAPOLIS — Dayton Hudson is going to launch a teleshopping venture, becoming the first traditional retailer to produce a teleretailing program.

Dayton Hudson's first broadcast will be March 29 over five stations, only one of them in a Dayton Hudson market.

The Dayton Hudson entry will be a one-hour show to be broadcast weekdays in a 13-week test run. It will be carried on KSTP in Minneapolis, KTOG, a UHF station in St. Petersburg, Fla., and on stations in Albuquerque, Farmington, and Roswell, all in New Mexico. Broadcast times will be arranged by the individual station.

The program, with a set planned to depict a 'true-to-life' department store setting, will be taped in Los Angeles by USTV, which will handle production, syndication and distribution.

USTV is a limited partnership whose members include

(Continued on page 66)

Penney To Wire Chicago Suburbs To Prepare for Teleshopping Service

J.C. Penney executive vice president Ralph Henderson (right) and Stuart MacIntire, president of the company's Telaction subsidiary.

NEW YORK — J.C. Penney has begun to 'wire' Chicago's Northwest suburbs in preparation for the summertime launch of its Telaction interactive teleshopping service to as many as 125,000 households in the Windy City.

The wiring involves putting up on poles the weatherproof Telaction frame store units, each of which serves about 15 cable subscribers. These units store and then transmit the frames or still full-color pictures, along with the audio presentation, of the goods and services that a consumer can access from Telaction.

The frame store units were being connected to at least five cable systems, including such major carriers as American Cablesystem, Centel Cable and Continental Cablevision that serve the suburbs of Aurora, Addision, Rolling Meadow and Northland.

Penney plans to follow up Telaction's pilot in-

(Continued on page 66)

600 Employees in 12 Stores

Cook Closes More Units

MAPLE HEIGHTS, Ohio — Cook United will further pare its current 41-store operation and cut one-third of headquarter staff to attain a profitable 29-store core, said Geoffrey Lurie, president.

By closing 12 stores that represent a $6 million loss—four in Greater Cleveland, seven in Toledo and its only Ga. store in Griffin—Lurie said Cook will be that much closer to achieving its goal of profitability during 1987. The 12 should be shuttered by April 30.

Revenues from inventory liquidation and real estate (one Toledo store is owned), will enable Cook to pay off $10 million of its debt, Lurie said.

To reduce salary expense, between 60 and 65 of Cook's 200-person headquarters staff will be terminated, as well as 600 store level employees involved in the store closings.

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MARKETWATCH

Pace Warehouse Sales Leap 119% in 1986

DENVER — Pace Membership Warehouse reported its fiscal 1986 year-end sales jumped 119%. The company's sales climbed to $602.7 million from $275.1 million in the fiscal year, ended Feb. 1, 1987. Same-store sales for Pace's 16 warehouse units in operation for the full year increased by 9%. Sales for the four-week period ended Feb. 1, 1987, showed a 55% gain, rising to $48.8 million from $31.5 million in the comparable period last year. Same-store sales for the period increased 7%. The company operates 25 warehouses in Colorado, Florida, Georgia, Iowa, Kentucky, Maryland, Michigan, Nebraska, North Carolina, Pennsylvania and California (set to open in April).

QVC Promotes Teleshopping with Mailing

WEST CHESTER, Pa. — The QVC Network this month will complete a five-million piece mailing to cable TV subscribers promoting its round-the-clock teleshopping service. QVC chairman Joseph M. Segel said the video retailer this year will spend $7 million on promotions, with $5 million budgeted for the three-month direct mail effort. The mailing, which contained a personalized letter, QVC Club membership card and phone stickers noting the toll free number to call for ordering goods, went to subscribers of the cable TV systems that carry QVC.

Marshalls' Parent Reports 9% Sales Gain

HARRISON, N.Y. — Melville Corporation, parent of Marshalls, Freddy's, Kay-Bee and a number of other specialty chains, said retail sales for the 24-day period ended Jan. 24 were $258 million, up 9% from the year-ago, 25-day period ended Jan. 25, 1986. The company operates 5,816 stores and leased departments, up 4.4% from last year.

Bar Code Seminar Reports Are Available

PITTSBURGH — The Federation of Automated Coding Technologies (FACT) SCAN-TECH 86 seminar on Creating Industry-wide Standards for bar codes is available on audio cassette or as a printed report for $15. They can be ordered from Automatic Identification Manufacturers (AIM), Literature Department, 1326 Freeport Road, Pittsburgh, Pa. 15238. Phone (412) 963-8588.

Videotex Expo Scheduled for June in N.Y.

ROSSLYN, Va. — The Videotex Industry Association will hold the 1987 International Videotex Industry Exposition & Conference June 15 to June 17 at the Sheraton Centre Hotel, New York. Information on the show, the only event of its kind in North America, is available from VIA, 1901 N. Fort Myer Drive, Suite 200, Rosslyn, Va. 22209. Phone (703) 522-0883.

Catalogers' Spring Banquet set for Chicago

GREENWICH, Conn. — The National Association of Catalog/Showroom Merchandisers will hold its spring banquet on April 6 at the Ambassador West Hotel in Chicago. Tickets, which cost $50, including two drink coupons, are available from NACSM, 2 Sound View Drive, Suite 100, Greenwich, Conn. 06830. Phone (203) 629-9033.

Electronic Funds Assn. Sets Annual Expo

WASHINGTON — The Electronic Funds Transfer Association (EFTA) will hold its annual convention and exposition March 29 to April 1 in Caesars Place Hotel, Las Vegas. A retailer session focuses on EFT/POS successes in department stores, with executives from Federated Department Stores, parent of discounter Gold Circle, and Carter Hawley Hale as participants. For information, write: EFT Association, 1726 M Street, N.W., Suite 1000, Washington, D.C. 20036, or call: (202) 659-2100.

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Home Office Goods, Fashion Colors Drive Up Stationery Margins: Panel

By MARY ELLEN KELLY

NEW YORK — A panel of merchandise managers from discount, drug and supermarket chains told Back-to-School (BTS) show attendees here which product lines they've targeted for future growth, as well as how venders and distributors can address the merchandising pitfalls of the stationery business.

Home office supplies and higher-ticket "fashion" stationery lines were the two types of merchandise most often cited as the promising margin makers, while BTS items continued to top the charts.

"Fashionability is key to getting volume together with the margins," said Bernard Elias, the general merchandise manager of the 1,165-store Family Dollar chain.

"Last year color made its first major impact on our business, and now we're going to jump on the color trend in everything from pens and pencils to covers that wrap around composition books," Elias said. "We plan to look as up to date in stationery as we do in our apparel department."

Stationery seminar panelists at the Back to School show included (from left) John Martin, vp, dmm, Gold Circle, Fred Filer, publisher, DSN, and Ted Wyman, dmm, Hills.

Joining Elias on the nine-man seminar panel were two other full-line discounters: Ted Wyman, dmm, at Hills Department Stores, and John Martin, vp and dmm, for Gold Circle.

Deep discount drug store operator, Drug Emporium, was also part of the panel represented by Frank Shanower, merchandising vp.

Discount Store News publisher Fred Filer was joined by publishers from two other Lebhar-Friedman business publications, Jay Forbes of *Drug Store News* and Murray Forseter of *Chain Store Age/General Merchandise*, in questioning panelists on stationery trends and problems.

Wyman of Hills, based in Canton, Mass., said he agreed with Elias' views on color,

(Continued on page 66)

West Coast Editor Named

NEW YORK — *Discount Store News* has added a field editor to its Los Angeles office, announced Tony Lisanti, executive editor.

A former staff writer and retail editor for *California Apparel News*, Pamela Krein will cover discount chains and specialty operations in the Western region.

Krein, who graduated from the California State University, Northridge, with a B.A. in journalism, previously wrote for the *Daily News* of Los Angeles. In her new position, she reports to *DSN* managing editor Donald Longo.

DSN 25th ANNIVERSARY TRIVIA QUIZ: 1966

Store expansion into new markets continued heavily in 1966 as the greater pressure for bottom line results brought consolidations and mergers into the headlines and forced discount merchants to reach out for and trade up to higher tickets. Caldor wowed the industry with its then-opulent and upgraded 120,000-sq.-ft. Stamford, Conn., unit, which featured carpeted floors and crystal chandeliers.

DSN invites you to test your recall of industry events of 1966 with the questions that follow. As part of its 25th Anniversary, DSN is offering a $100 prize to the person who correctly answers the most questions. Please type your answers along with your name, address and telephone number, on standard letterhead, and mail to:

Quiz Editor—3/2
Discount Store News
425 Park Avenue
New York, N.Y. 10022

Winners and correct answers to each quiz will be announced in a future issue.

1. Housewares continued to be a mainspring department for sales and traffic, with sales per foot for the industry averaging:
a) $59;
b) $67;
c) $80.

2. The Kresge commitment to the K mart concept produced a precedent-shattering, five-year expansion plan for retailing. From a standing start in 1962 with its first store in Michigan, Kresge announced plans to have K mart's operating by 1967 in:
a) 18 states;
b) 32 states;
c) 47 states.

3. Big chain mergers made headlines in the 1966 issues of Discount Store News. *One such was the joining of Korvette's with Spartan Industries. The architect of that merger was:*
a) Charles Bassine;
b) Sol Cantor;
c) Gene Ferkauf.

4. Merger activity was reversed in one situation by a Supreme Court decision which caused a split-up of the two principals. They were:
a) Spartan & Korvettes;
b) Vons Grocery & Shopping Bag Stores;
c) Unimart & Vornado.

5. DSN census issue for 1966 reported a record new-store opening year of 236 full line discounters. The region that showed the biggest gain in stores, 25%, was:
a) New England;
b) Middle Atlantic;
c) Southwest.

6. In these heavy growth years, the top chains dominated the industry. The top 100 chains in 1966 accounted for:
a) 50% of stores;
b) 70% of stores;
c) 85% of stores.

7. In a year when sales productivity was of increasing interest to discounters, the department with the highest sales per square foot record, at $310 per foot was:
a) Stationery;
b) Hardware;
c) Major appliances.

8. In 1966, the closest discount chain to a billion dollar operation, with $962 million in sales, was:
a) K mart;
b) Korvettes;
c) Zayre.

9. Target, now a billion dollar chain, had just broken away from its home base in Minneapolis to test the Denver market. Its 1966 volume was:
a) $44 million;
b) $78 million;
c) $120 million.

10. The toy department was a good indicator of the chains' move to take over leased operations. In 1966, toy department leased operations had been reduced to:
a) 3% of all stores;
b) 17% of all stores;
c) 30% of all stores.

Skilled Home Craftsmen Drive Powered Hand Tool Market

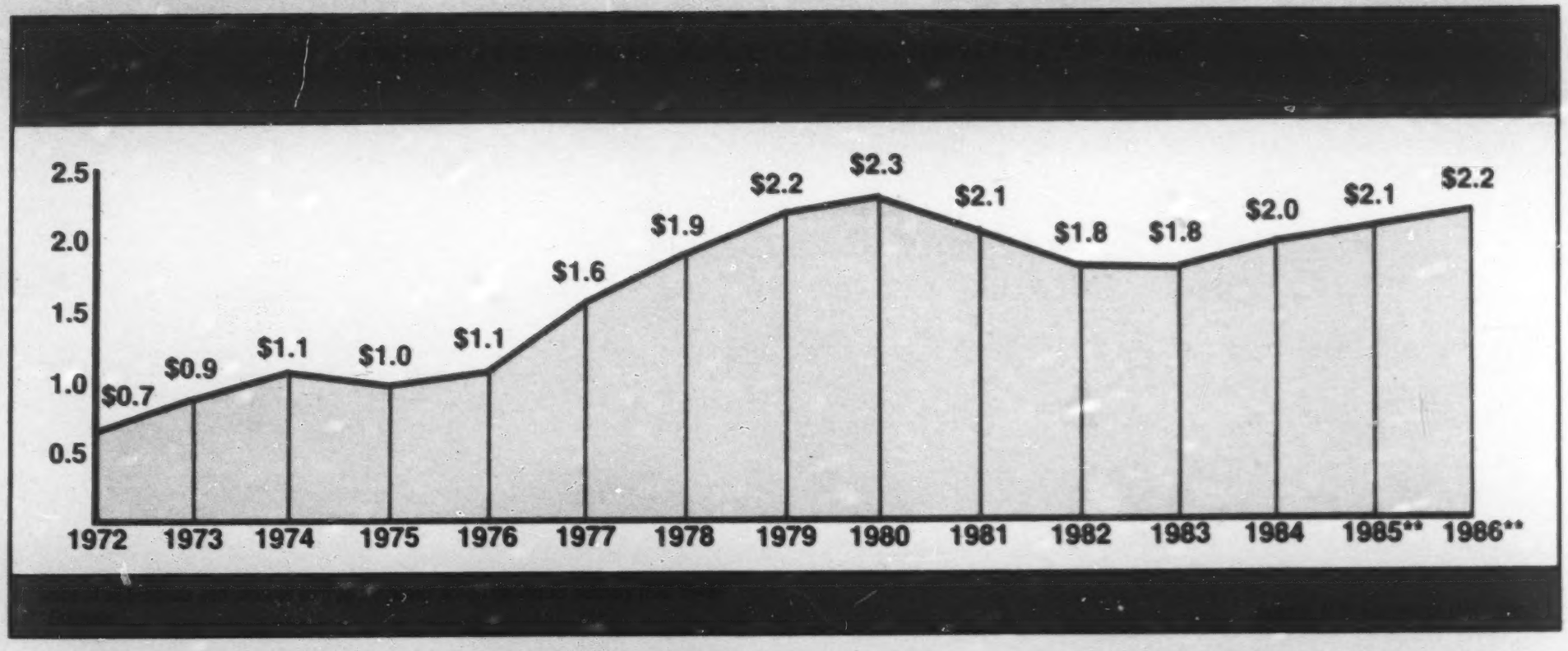
WASHINGTON — A new consumer breed, the "sophisticated do-it-yourselfer," has changed the U.S. power-driven hand tool market, a U.S. Commerce Department study concludes.

The introduction of new cordless hand tools was paramount in the sector's growth, the study found. For example, cordless screwdrivers, priced at about $20 at discount stores and other outlets, "attracted consumers who do not ordinarily use power tools," Commerce researchers reported.

"In recent years, power tool manufacturers have concentrated on introducing products aimed at more skilled, but nonprofessional, consumers," the study said.

The growing popularity of more professional tools, such as upscale power drills, mitre boxes and table saws, in the DIY market is good news for retailers and manufacturers of small, power-driven tools.

"Only 20% of the power tool market is considered professional," researchers said. On the other hand, DIY buyers kept U.S. power hand tool shipments on the rise to $2.16 billion in 1986, a gain of 1% when adjusted for inflation, they said.



The growing popularity of more professional tools, such as upscale power drills, mitre boxes and table saws, in the DIY market is good news for retailers and manufacturers of small power-driven tools.

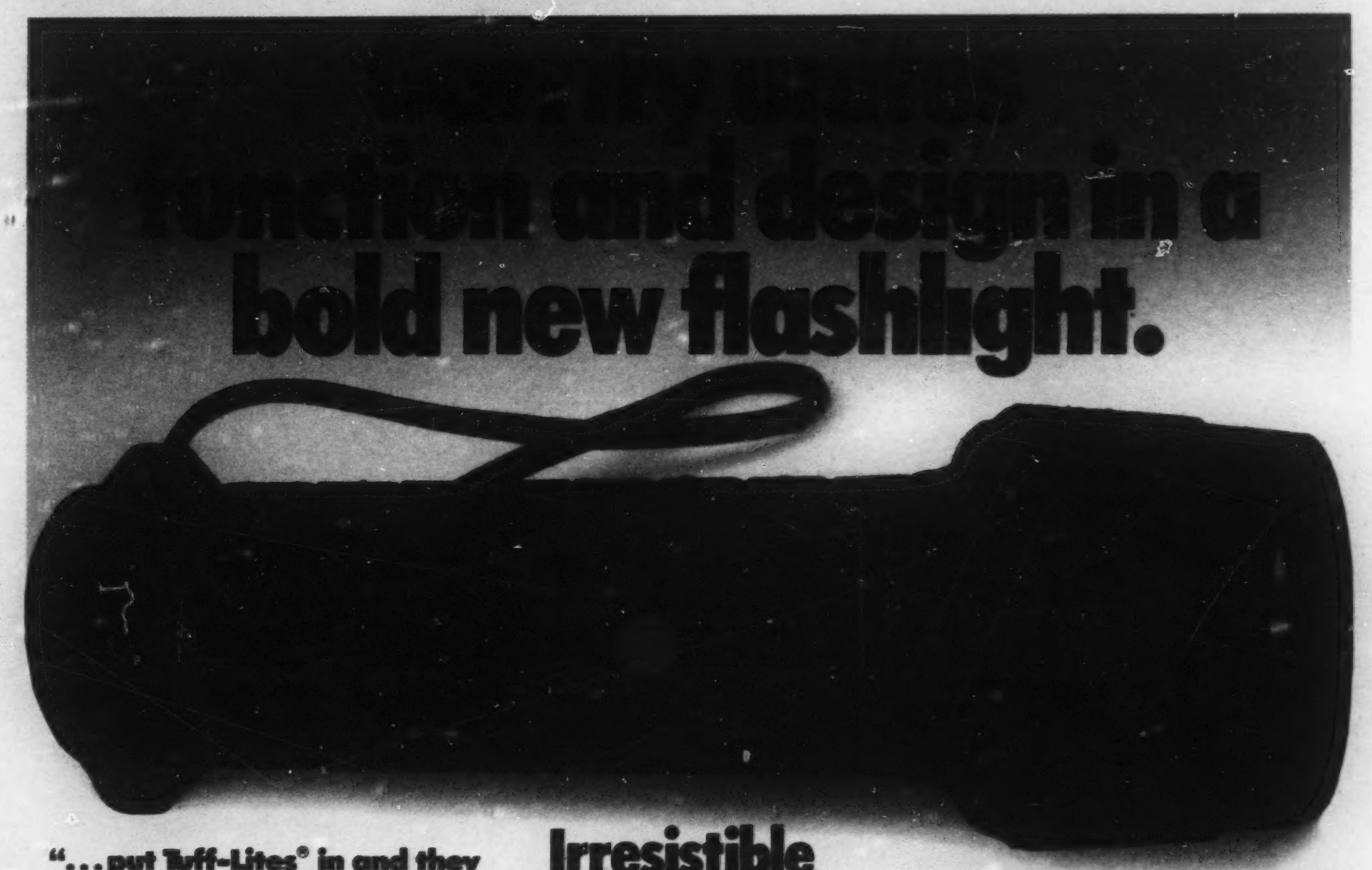
Projections by Commerce Department economists for future growth in U.S. power-driven hand tools were cautious. A rise of less than 1% in shipment value is expected in 1987, the study said.

Imports Will Spurt 11%

Imports of small power-driven hand tools will continue to affect domestic shipment increases, they added. Estimating an 11% rise this year, economists said the value of shipments of imported power-driven hand tools will reach $830 million during 1987.

"A further spurt in sales of cordless tools should provide much of the impetus for the modest increase expected in the coming year," economists said.

Significantly, they also predicted that import pressure would continue to stifle growth in domestic shipment of power tools through 1991. Economists forecast a compound annual "real" growth rate of about 2.5% between 1987 and 1991.



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Tuff-Lite® is the hottest new flashlight to hit the market in years. Built of rugged, heavy-duty rubber, it's shockproof, rustproof, and already ringing up big sales all over the country.

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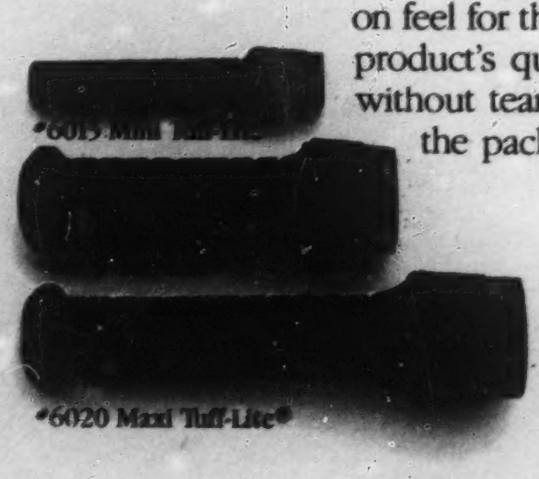
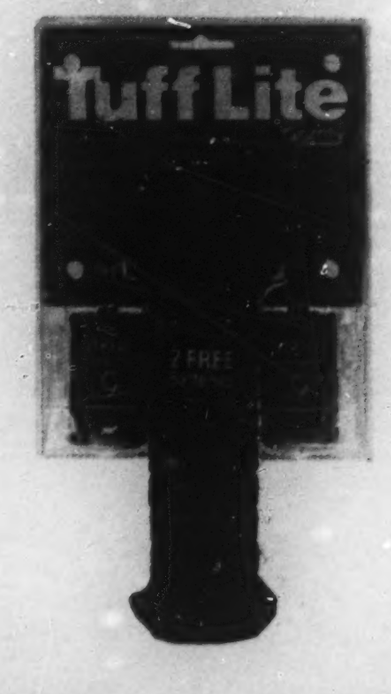


Irresistible packaging is the finishing touch.



Recessed On-Off Switch is safely out-of-the-way to eliminate unintentional turn-on.

Handy Carrying-Strap provides security around the wrist to guard against loss in the dark.

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Consider Fashion, Function When Buying Security Hardware

By ARNOLD REINHARD
Vice President, Sales and Marketing, Schreiber Co.

The security business is doing well, lock, stock and barrel, with sales up about 7% in 1986. Volume should hold at that level during 1987, with sales driven by imports and extra lock sales as well as the increasing impact of the female do-it-yourself shopper.

Import brands such as VSI, Harlock and Ideal captured the majority of the top 50 total dollar movement rankings, but domestic venders like Masterlock, that have the advantage of brand recognition, also were top movers.

The imported security devices, which primarily are coming from Taiwan, offer quality at bargain prices.

VSI's top-ranked entrance lock, available to the retailer at about $5.96, can be marked-up 40% and sold to consumers at $8.34. This model, as well as Harlock's T-700 at $11.40 retail, are well-made locks at these price points.

Ideal has taken a particularly strong stand with screen door latches that have become popular because homeowners increasingly are adding summer rooms to their dwellings.

Despite the imports' advantage over domestic brands, sales waned during the past year as the costs associated with shipping boosted import prices 10% to 15%. The increases helped domestic lines, such as Masterlock and Yale, snare a slightly larger market share. Nonetheless, they both failed to make the top 50 list.

Because of the growing crime problem, many home and condominium owners are are deciding to reinforce their security by installing dead bolts and double dead bolts to doors and windows.

Sales of double dead bolts are especially strong, because consumers realize that all it takes for burglars to break into homes is to smash a single window, which essentially makes the single dead bolt almost worthless.

Double dead bolts must be unlocked from the outside with a key, as well as from the inside.

Retailers should promote lock sets to encourage these supplementary lock purchases, as well as to continue to target women shoppers.

Packaging Gets Better

Catering to females, both domestic and import manufacturers continue to improve packaging and installation directions. Such improved packaging makes it easier to shop for them—especially women.

Several years ago, latches and that type of security hardware were sold from bins. The carding that's common now has helped women customers identify what item they need.

Bronze and brass finishes in oval, round and other decorative shapes are selling more strongly than in the past, partly because of the influence of women hardware shoppers.

Buyers need to look at fashion and function equally when selecting lines to include in their assortments.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	SECURITY & SAFETY			
1	VSI V651X3 Entrance Lock	1,150	8.34	9,591.00
2	Harl T-700 US3 Entry Mdl	735	11.40	8,379.00
3	Mast 1500D Comb Padlock	2,261	3.40	7,687.40
4	Harl T-700-M-DL US5 Entry	461	12.04	5,550.44
5	Mast 22D Padlock 1½"	2,010	2.00	4,020.00
6	Mast 500D Padlock 1¾	1,521	2.55	3,878.55
7	Harl UR 700-M-DL US3 Enty	234	15.22	3,561.48
8	Harl DC-DB 840 US3 Doub	280	12.04	3,371.20
9	Harl DC-DB 820 US3 Sing	356	9.31	3,314.36
10	VSI V640X3 Privacy Lock	471	6.48	3,052.08
11	VSI V610X3 Passage Lock	541	5.59	3,024.19
12	Ideal 45-3024 Nite Latch	427	5.98	2,553.46
13	Ideal 17-8533 Pneum Close	497	4.77	2,370.69
14	Ideal 14-1233 Pshbutn Lock	247	9.10	2,247.70
15	Spar 03310 Entry Lockset	252	8.72	2,197.44
16	Mast 1D Padlock 1⅛"	356	6.05	2,153.80
17	Harl UM700 US5 Entry Mdl	114	17.92	2,042.88
18	Ideal 11-6033 Knob Lock	317	6.20	1,965.40
19	Harl T-200 US3 Bedroom Pb	275	7.06	1,941.50
20	Mast 10D Padlock 1"	1,116	1.84	1,830.24
21	Ideal 12-1143 Pshbutn Ltch	285	6.36	1,812.60
22	Mast 7D Padlock 1⅛"	407	4.33	1,762.31
23	Ideal 17-8543 Pneum Close	364	4.77	1,736.28
24	VSI LW22 1½ Padlock	1,169	1.47	1,718.43
25	Harl UJ 700 M-DL US5 Enty	107	15.92	1,703.44
26	Ideal 12-1133 Pshbutn Ltch	267	6.36	1,698.12
27	Harl T-100 US3 Passage Pb	267	6.26	1,671.42
28	VSI DL105 3 Way Nite Larc	342	4.70	1,607.40
29	Ideal 12-8043 Pshbutn Ltch	248	6.36	1,577.28
30	Ideal 18-2533 Hydr Close	187	7.57	1,415.59
31	Harl T-100-US5 Passage	201	6.99	1,404.99
32	Ideal 45-2024 Rim Cyl Dead	199	7.06	1,404.94
33	Ideal 57-0613 Adj Door Spr	876	1.58	1,384.08
34	Harl T-200-US5 Privacy	175	7.78	1,361.50
35	VSI LH450 Key Lock Hasp	365	3.57	1,303.05
36	Ideal 12-8033 Pshbutn Ltch	200	8.36	1,272.02
37	Mast 3D Padlock 1½"	240	5.18	1,243.20
38	Mast 105D Padlock 1⅛"	618	1.97	1,217.46
39	VSI C60 Comb Padlock	720	1.68	1,209.60
40	VSI L3T 1½ Twin Padlk	270	4.45	1,201.50
41	VSI DL101 Surf Dedlk Sgl	159	6.93	1,101.87
42	Harl UDB 940US3 Doub Pb	60	17.84	1,070.40
43	Ideal 23-0133 Strike Plate	1,066	.91	970.06
44	Mast 9D Padlock ¾"	660	1.46	963.60
45	VSI LH250 Key Lock Hasp	310	3.09	957.90
46	Ideal 45-1583 Rim Cylinder	387	2.38	921.06
47	Ideal 15-9933 Knob Lock	91	10.11	920.01
48	Harl UDB 920 US3 Sing Pb	68	13.52	919.36
49	Mast 5D Padlock 2"	118	7.60	896.80
50	Ideal 11-1533 Knob Latch	144	6.20	892.80

Source: Schreiber Co., distributor, Lititz, Pa., for the period of November 1986 through June 1987, covering 825 stores, including 725 discount stores, in the Northeast, Southeast and Mid-Atlantic regions. Average retail prices reflect typical for mass merchandisers.

A TEST YOU CAN'T AFFORD TO FAIL.

	Yes	No
Q. Are you carrying the rechargeable lanterns that outsell the competition 2:1?	☐	☐
Q. Are you selling the brightest rechargeable flashlights on the market?	☐	☐
Q. Will you be offering consumers the primary cell flashlights that can last up to 10 years?	☐	☐
Q. Are you getting free dealer tagged TV advertising?	☐	☐

If you answered "NO" to any question, please turn the page.

3/18/87 C5150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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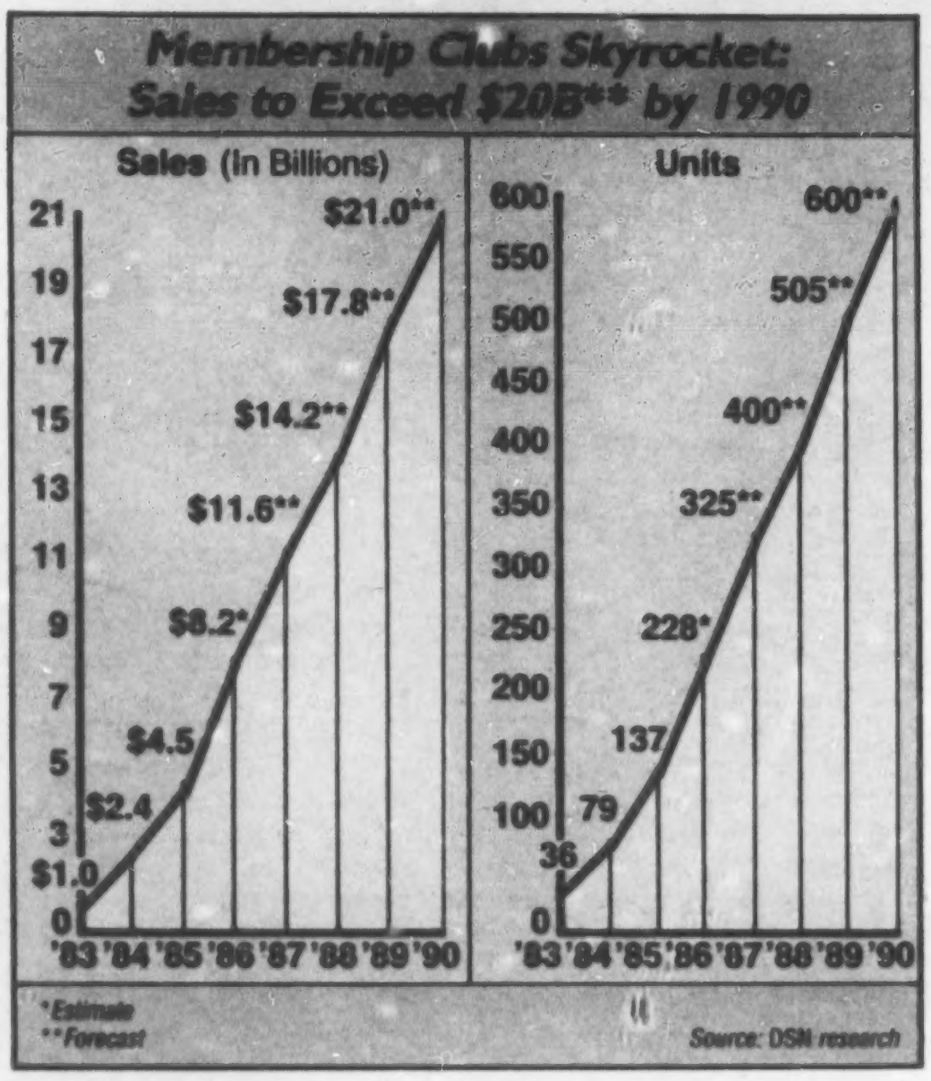
Membership Clubs Push Growth



By Ralph Raffio
Special to DSN
Nationwide Report

Increased competition and lingering difficulties at turning a profit won't deter membership warehouse clubs from continuing the rapid-fire growth they've achieved during the past four years, most retail analysts and warehouse club executives said.

Most observers said cash and carry warehouses have only scratched the surface of the market's full potential. Through steady development of new units and rising consumer familiarity with the buying concept, membership warehouses are expected to emerge one day as an even greater force than they are now. Their higher visibility, said experts, will lead to even greater sales and profits and likely will alter forever the way many people shop.

(Continued on page 25)

Best Continues on Plan After Lewis' Departure

R. Huntley *A. Lewis*

By Arthur Markowitz

RICHMOND — Andrew M. Lewis' surprise resignation late last month as chairman and chief executive officer of Best Products won't affect the troubled cataloger's plan to make "fundamental changes" in its business and strengthen its jewelry merchandising commitment.

The jewelry marketing effort includes adding up to 60 more Best Jewelry stores over the next three years to the company's current chain of 11 jewelry and giftware specialty stores.

Best's announcement of the Best Jewelry expansion—the only new stores it plans to open this year—was delayed by Lewis' resignation.

Lewis resigned following a directors meeting when Best's board, led by his father and company founder, Sydney Lewis, decided to focus the cataloger's top management responsibilities in the hands of Robert E.R. Huntley, president and chief operating officer.

Huntley, 57, has succeeded Lewis, 40, as chairman and ceo, and the company doesn't have any immediate plans to fill the president and coo post, a Best spokesman said.

Best has reportedly sounded out another cataloger's top executive who has extensive merchandising background about the president and coo post, a source told *DSN*. Huntley doesn't have any merchandising experience.

(Continued on page 93)

Losing Battle Against Losses

Heck's Files Chapter 11 Bankruptcy

By Peter Hisey

NITRO, W. Va. — Heck's, whose battle to rebound from mounting losses ended when its group of lending banks pulled the plug March 1, filed for protection from creditors under Chapter 11 March 5.

The action comes in the wake of a series of disputes between the company and New York financier Robert Toussie, who recently canceled a planned $145 million acquisition of Heck's and sued the chain for $1 million. Heck's had previously announced plans to close 29 of its 158 stores (see *DSN*, March 2, page 1), then offered them to Toussie after he criticized the decision.

A $50 million credit agreement with several banks expired on Feb. 28 and a combination of repayment demands and a cut-off of merchandise by at least some suppliers preceded the Chapter 11 filing.

Reached for comment after the chain's filing, Toussie said Heck's had not presented him with an official offer to purchase the closed units, although Heck's representatives did tell him such information would be forthcoming. In early March, the company was advertising going-out-of-business sales at all 29 stores, according to a Heck's spokesman.

Toussie, meanwhile, charged that the bankruptcy filing is the result of "unable and incompetent" direction from a management team led

(Continued on page 94)

Bradlees' Parent Fires 170; Merges Staffs, Saves $14M

BOSTON — Stop & Shop Company's previously announced cost trimming has started and will ultimately result in 170 firings, including some top vice presidents of the Bradlees discount chain.

Edward Cooney, senior vp, personnel, and Richard Silverman, vp, operations, are among those Bradlees executives whose positions were eliminated as part of the parent company's plan to merge the corporate and discount division's personnel, finance and systems departments.

The discount chain's merchandising staff is also being trimmed. Robert Whitman, vp and general merchandise manager, smallwares, home entertainment, home improvement and toys and Denis Donohue, divisional mer-

(Continued on page 94)

Cable Network Cuts Teleshopping; Cites Operator Disinterest

TULSA, Okla. — Tempo TV network has started to sharply scale back airing of teleshopping programs because of the "reluctance" of cable TV operators to add more video retailing services to their system and the "obvious downturn" in the broadcasting of such shows.

Tempo late last month canceled Shoppers University, a 90-minute program, in a financial dispute with its producer, Las Vegas-based direct marketer Horn & Hardart, that can be traced to cable operators' waning interest in adding more teleshopping shows.

Prior to canceling Shoppers University, Tempo dropped The Jewelry Showcase, a half-hour teleshopping show that the network itself produced. But Tempo last month also added Your Personal Decorator, a half-hour show produced by Washington-based Shoppers Outlet. That show enabled Tempo to temporarily air about two-and-a-half hours of teleshopping to fill out its schedule while the company decided its future commitment to video retailing.

Tempo's scaled back schedule of just three telemarketing shows, all provided by outside producers, is a far cry from the half dozen programs aired in January. At that time, executives said Tempo, which ranked 20th among cable TV networks, hoped to increase its viewership by broadcasting up to eight hours of teleshopping in a mix of shows (See *DSN*, Jan. 5, page 3).

Trade observers said that Tempo was likely to eventually drop all teleshopping and focus on international programs and local sporting events.

Supporting this view was the acknowledgment by Steve Olsen, Tempo's assistant vice president of retail sales, that the network "may not replace Shoppers University with more shopping shows."

He said that "due to the obvious downturn in televised home shopping and the reluctance we've encountered by some cable operators to provide more than a few shopping services, we are exploring new programming options."

Tempo dropped Shoppers

(Continued on page 10)

MAGIC Show Report | *Housewares Show Preview* | *Chains React To Condom Promos*

MARKETWATCH

Sears To Shut 5 Distribution Centers

CHICAGO — Sears, Roebuck & Co. will close five of its 12 distribution centers by 1989. The five affected facilities are located in Chicago, Boston, Memphis, Minneapolis and Atlanta, and will close in that order. About 5,500 employees stand to lose jobs in the moves. Sears' Chicago warehouse, the oldest of the 12, will close next month.

Off-pricer Ross Hit with Lawsuit

NEWARK, Calif. — Ross Stores reported that a class action lawsuit alleging securities laws violations has been filed against it, certain of its present and former directors and officers and the managing underwriters of its initial public offering. The company declined to comment until the complaint could be reviewed by its legal counsel. Earlier, Ross announced plans to close 25 unprofitable stores (see story, page 39).

America's Marketplace Signs Off Air

CHICAGO — MWM-Teleshopping has closed down America's Marketplace, which had been positioned as a three-hour video retailer designed to follow late-night talk shows (see *DSN*, Feb. 2, page 3). An executive said sales did not meet expectations due to the limited audience watching the 11:30 p.m. to 2:30 a.m. time period the show was aired on UHF and VHF TV stations in 15 markets. The program was picked up by a number of stations that had aired Shopping Line, another broadcast TV teleshopping show, when the latter folded (see column, page 4).

Olivers Files for Chapter 11 Protection

RIDGEFIELD, N.J. — Olivers, a 35-unit off-price chain, filed Chapter 11 at presstime after its banks refused to restructure its debt, president Joseph Wolfer told *DSN*. Although the company is currently in default of its loans ($6 million according to one report), Wolfer plans several steps to turn around the business. Four of the chains' 25 family apparel stores, offering men's, women's and children's clothing, will be closed. The leased men's departments in the remaining 19 family stores will be discontinued. Women's wear has been totally overhauled by dropping large-sizes, petite and preteen sizes and refocusing on better and moderately priced career wear. A new women's merchandise manager has been hired. The only healthy part of the business, children's wear, will be virtually unchanged. In fact, the 11th Olivers Kids store is still scheduled to open this spring.

Mervyn's Acquires Three Denver Units

HAYWARD, Calif. — Mervyn's has announced an agreement in principle to acquire three Denver Dry Goods stores from May Co. for an undisclosed amount. Conversion of the stores, located in Colorado Springs, Fort Collins and Pueblo, Col., into Mervyn's will begin after the schedules have been finalized between the two companies. The two-level, 100,000-sq.-ft. Colorado Springs location will be the first of the three to open under the Mervyn's banner and will exceed the chain's 75,000-sq.-ft. average.

FOR THE RECORD

Due to a production mishap in *DSN*'s March 2 issue, a portion of an article on a stationery seminar held at last month's Back to School show was inadvertently omitted. The complete article appears in this issue on page 20.

Ideal Security is a domestic manufacturer based in St. Paul, Minn. A product movement audit on security hardware in *DSN*'s March 2 issue incorrectly identified the firm as an overseas supplier.

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Group Solicits Discounters' Input On Use of Electronic POS Payment

WASHINGTON — The Electronic Funds Transfer Association will hold an input meeting with discounters April 22 to 23 as part of the EFTA's six-month study on how retailers evaluate the potential use of debit cards and other electronic payment services at the point-of-sale.

Similar focused planning effort (FPE) meetings will be held with conventional department stores, apparel specialty retailers and drug stores as part of the study of how 11 businesses see the future of electronic fund transfer (EFT) systems.

FPE meetings have already been held with the gasoline, convenience store and supermarket industries, with future input sessions planned for companies in the restaurant, fast food, hotel and airline businesses.

The EFTA launched the study, *Markets for EFT/POS:*

(Continued on page 10)

Membership Clubs Test EFT

Credit Card Line Provides Checks

Nationwide DSN Report

Membership warehouses have found a way to continue their long-standing "no credit card" policies while still enabling their shoppers to buy goods using plastic money.

The key to resolving this seeming contradiction is an electronic funds transfer (EFT) service through which a membership warehouse shopper can use a credit card to obtain a check to pay a club.

The FundsNet Cash Call EFT service is already in operation at BJ's Wholesale Club, Price Savers, Saveco and Net Cost Club. PACE and The Wholesale Club are testing the system. The Price Club and Sam's Wholesale Club are considering its use.

The EFT system "allows us to offer our customers the convenience of using credit cards without requiring us to increase our prices to cover the cost [of credit sales had the club directly accepted credit cards]," said BJ's vice president of operations Bob Dugan. "Cash Call offers our customers immediate cash from their VISA, MasterCard or Choice credit lines to pay for purchases they wish to make in the store."

BJ's, a division of Zayre Corp., was the first cash and

(Continued on page 93)

HSN Advances Premiere Of Shopping Game Show

CLEARWATER, Fla. — Home Shopping Network (HSN) has moved up the debut of The Home Shopping Game to June, and will air the program on the CBS-TV-owned stations in New York, Los Angeles, Chicago and Philadelphia, along with about two dozen other stations.

The program, which was to have debuted in September (see *DSN* Jan. 19, page 1), will generate over $700 million in sales in its first year on the air, HSN's president Lowell W. Paxson predicted. The daily, half-hour show, being produced by Home Shopping Entertainment, a wholly owned HSN subsidiary, will originate at HSN's Los Angeles flagship station, KHSC/channel 46. Stations that will carry the show cover about 50% of the nation.

The HSN program will follow a typical game show format with two teams competing in three rounds.

DSN 25th ANNIVERSARY — TRIVIA QUIZ: 1967

In 1967, the merger beat quickened, computers made the scene, but discounters wrestled with usable applications. Variety store discounters began to put their heavy dollars into the discount store side and the push for productivity continued.

DSN invites you to test your recall of industry events of 1967 with the questions that follow. As part of our 25th anniversary year, DSN is offering a $100 prize to the person who correctly answers the most questions.

Please type your answers, including your name, address and telephone number, on standard letterhead, and mail to:

Quiz Editor - 3/16
Discount Store News
425 Park Avenue
New York, NY 10022

Winners and correct answers to each quiz will be announced in a future issue.

1. The K mart explosion in 1967—the chain's fifth year—took the discounter beyond U.S. borders. Which of the following countries did not have the K mart sign in '67?
a) Canada;
b) Mexico;
c) Puerto Rico.

2. The question of market saturation made DSN headlines in '67. The number of new stores planned for 1967 was:
a) 150;
b) 400;
c) 700.

3. Food departments were prime traffic pullers for discounters in the mid-60's. Low margin discounter supermarket departments did sales of:
a) $25,000 a week;
b) $33,000 a week;
c) $54,000 a week.

4. By 1967 many traditional department store operators had already launched discount store divisions. Which of the following had not gone discount by that year?
a) Dayton-Hudson;
b) Allied;
c) Rich's.

25 25TH ANNIVERSARY YEAR

5. Of the variety store segment of traditional retailers, which of the variety chains had not gone the discount store route in 1967?
a) Woolworth;
b) Nichols;
c) Lamstons.

6. This was a banner expansion year for the industry. The state with the most explosive store gain, some 22%, was:
a) Texas;
b) Pennsylvania;
c) Michigan.

7. One of the biggest mergers in 1967, which positioned an East Coast discount power in California, was:
a) Vornado (Two Guys) and Food Giant;
b) Walgreen's and Crank;
c) Korvette's and FedMart.

8. New store counts grew faster than sales productivity in the mid-60's. Industry sales per square foot were virtually half today's sales figures at:
a) $52 a foot;
b) $60 a foot;
c) $68 a foot.

9. Two of the following discounters were in the industry top 10 in 1967. The chain that ranked No. 16 that year was:
a) K mart;
b) Bradlees;
c) Zayre.

10. The industry boasted two billionaires back in the '66/'67 DSN census issue. One was Kresge. The other was:
a) Spartan/Korvette;
b) Zayre;
c) Woolco.

11. K mart was No. 1 in '67—but the No. 2 discount operator, with sales of $700 million in a predominately franchise store operation headquartered in the Southwest, was:
a) Community Stores;
b) Gulf Mart;
c) Gibsons.

ELECTRONIC RETAILING

Court Decision Could Impact Teleshopping

ARTHUR MARKOWITZ

A Federal appeals court decision two years ago may have done in teleshopper Shopping Line, and that ruling could also generate static for other video retailers targeted for broadcast TV stations.

The court's decision allows cable TV systems to freely select whatever broadcast TV stations they wish to carry—and to drop those commercial channels they don't.

One New York City station may have been caught up in this situation and, for self-protection, dropped Shopping Line, thereby triggering its demise.

The court's decision upset the Federal Communication Commission's 20-year-old "must-carry" rule that requires cable TV systems to air all the local broadcast TV stations in their market viewed by a large number of households. It has resulted in cable operators selectively dropping public service and weak commercial stations, usually VHF stations that broadcast on the channel 14 to channel 83 band.

Shopping Line went off the air in January, about two months after it was launched as an around-the-clock teleshopping service for broadcast, rather than cable, TV stations. Its key outlet was WNYC/channel 31, a public service station owned by New York City, which had pioneered a unique lease-time arrangement to present the teleshopping program in nonprime time, 11 p.m. to 1:30 a.m., to get added revenues to support its regular educational fare.

Shopping Line president Reese W. Schonfeld called WNYC "far and away our best, best station. In the month of November we did $400,000 worth of business with them, paying them 10% or $40,000; in the month of December we did $1,200,000 worth of business in just those two-and-a-half hours a day. With them, we had a business, without them we didn't."

Despite Shopping Line's results, WNYC hesitated on renewing the 13-week contract, Schonfeld said at a New York chapter meeting of Television Academy. The reason why: some cable systems dropped WNYC because of the shopping show.

"This was our real problem with WNYC. It was dropped by two cable systems. Both have deals with other shopping networks, and they weren't being compensated by WNYC for carrying Shopping Line."

He noted that even before Shopping Line went on the air, Suburban Cable, one of the largest in New Jersey, had dropped WNYC and replaced it with a home shopping show in which it owned an interest.

"The natual question is, did the cable systems drop WNYC because it was carrying Shopping Line? The cable systems deny it but I don't think WNYC executives believe it for a minute," Schonfeld said.

WNYC director Mary Nichols agreed. "We got a glimmering that the cable systems didn't like what we were doing [carrying Shopping Line]." But she added there were two other reasons the station didn't renew the agreement: the show's "poor" programming and "revenues weren't as high as promised."

Schonfeld told the Television Academy that the lesson to be learned from the Shopping Line saga is clear. "I'm sure you are all aware of the must-carry law. A cable system can drop a marginal TV station for any reason. If a marginal TV station starts carrying a lot of teleshopping, it will probably cause the station to be dropped."

Direct Marketers Foresee Viability Of Selling Machines Within 3 Years

CHICAGO — Interactive video systems, the so-called selling machines or electronic catalogs, can become a viable direct marketing tool within the next three years, according to one survey.

Seventy-one percent of those polled at a recent Direct Marketing Association conference said interactive video systems can be a viable selling medium within the next three years.

Of those polled, 31% felt such systems would impact direct marketing within the year, while another 40% said it would take two to three years.

Most respondents felt that consumers were 'almost ready' to use electronic catalogs to purchase goods.

The survey, sponsored by Electronistore Services, also showed that 18% believed selling machines will be a functioning marketing tool in the next four to five years, while another 9% saw six to 10 years as the time frame. Only 2% did not think interactive video would be viable.

Most of those surveyed, 92%, also felt that teleshopping (in-home video selling) or videocassette tapes could also be an effective direct marketing tool. But only about half expected their companies could use teleshopping, with 10% foreseeing such use within a year, 27% within two to three years, 11% within four to five years and 3% within six to 10 years.

Most Appropriate Uses

As for the most appropriate uses for shopping machine technology, the direct marketers rated product information and demonstrations highest (68%), followed by information and sales of services like travel and restaurants (55%), advertising (50%), actual sales of merchandise (44%), generation of sales leads (39%) and then other uses (4%).

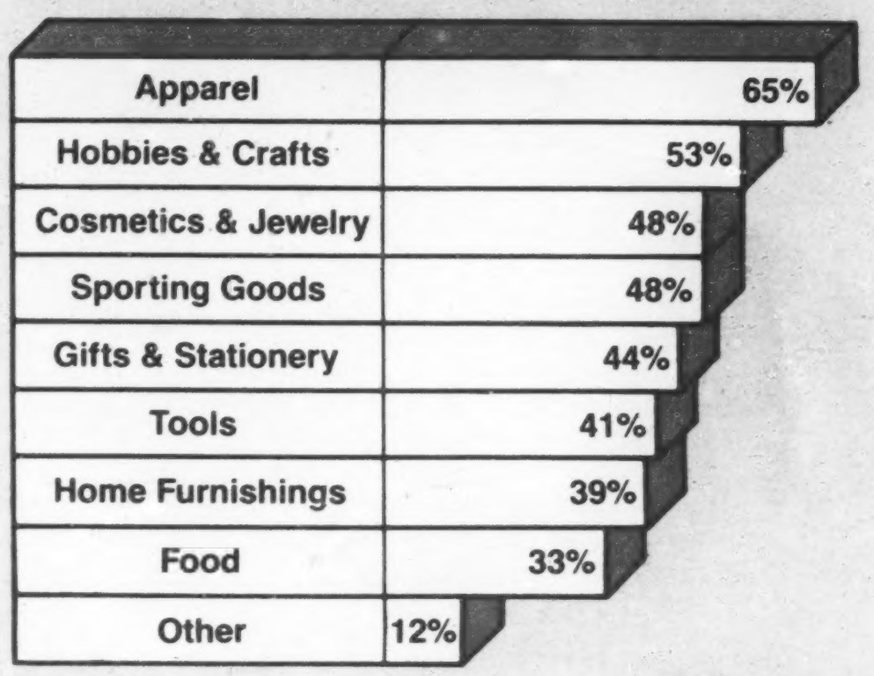
Most respondents, 67%, felt that consumers were "almost ready" to use electronic catalogs to purchase goods, with only 14% viewing consumers as "ready" to do so and 9% "not at all ready."

At the same time, 67% felt consumers were "almost ready" to use selling machines for informational purposes, 27% felt shoppers were "ready" for this use and 6% "not at all ready."

"Based on these findings, it appears direct markets today recognize the greatest potential of interactive video and are primed to take advantage," an Electronistore executive said. Electronistore, a division of R.R. Donnelley, provides customized interactive video systems.

Apparel Heads Categories Likely For Interactive Video System Sales

Direct marketers rated apparel as the top category for interactive video merchandising, with hobbies & crafts, sporting goods and cosmetics & jewelry also ranking high.



Source: Electronistore Services

Lucky Stores Continues Divestiture; Sells All 104 Yellow Fronts for $50M

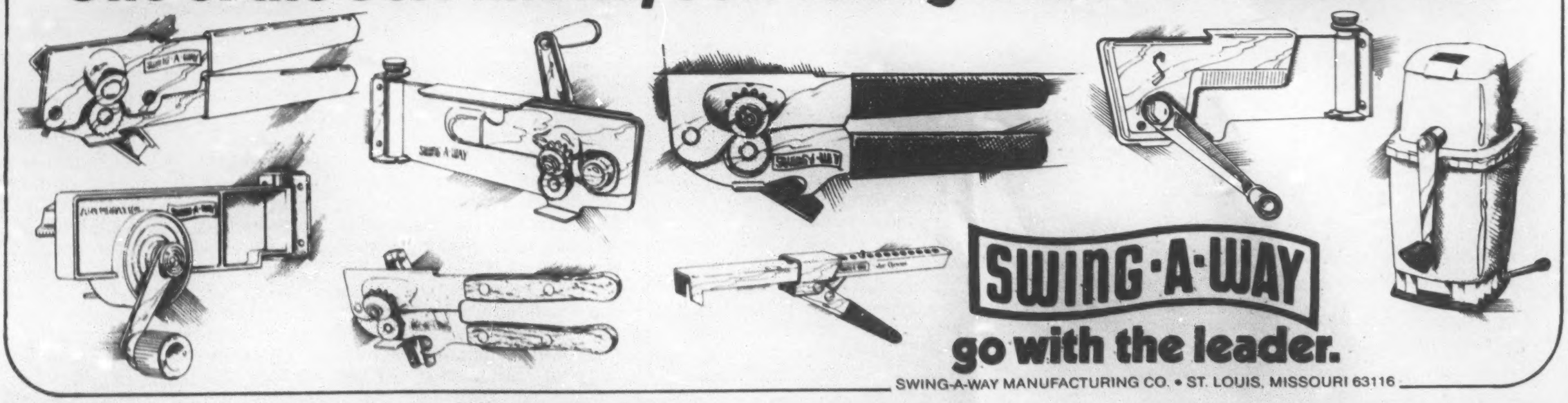
DUBLIN, Calif. — Lucky Stores has announced the sale of its general merchandise Yellow Front Stores to a private New York corporation for approximately $50 million.

The sale of the 104 Phoenix-based Yellow Fronts to Kenmare represents the latest move by Lucky to divest itself of all but its grocery store holdings. Lucky recently sold its Gemco division to Dayton Hudson—parent of discounter Target—and its next step is to spin off Hancock Fabrics to shareholders.

Yellow Front Stores average only 12,000 sq. ft., but carry a broad range of general merchandise. About half the mix is apparel, a third sporting goods, and the remainder is general hard lines, housewares and some automotives. The marketing philosophy involves frequent and extensive promotions, "similar to a Mervyn's," according to a spokesperson for Lucky.

Kenmare, controlled by Daniel Sullivan, said it plans to continue running the Yellow Front Stores as they are, with no changes anticipated in the near future. According to Lucky, sale of the stores—located in Arizona, Colorado, Idaho, Nebraska, Nevada, New Mexico, Utah and Wyoming—should be completed within the next 30 days.

One of the best-known, best-selling brands in housewares.



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Membership Warehouses

The membership warehouse club industry has exploded in recent years, with the top 10 chains racking up some $7.5 billion in sales last year from 208 units.

Competition, Losses Won't Deter Warehouse Club Growth

(Continued from page 1)

Since 1982, the number of warehouses has jumped from approximately eight West Coast Price Clubs to more than 230 warehouse clubs all over the country, owned by more than a dozen different companies. Total sales among warehouse clubs are estimated at about $8 billion, but they are expected to balloon to $20 billion by 1990, with similar gains in new units.

Some executives said the market can move even faster than that, however.

"Frankly, I think $20 billion is a conservative estimate," said Walter Teninga, president of Skokie, Ill.-based Warehouse Club, one of the companies that has had to pull back on new store development this year due to losses. "We're still a very long way from realizing the full potential of this channel of distribution."

Though still in its infancy, the warehouse club concept already has evolved since its inception.

"There isn't anything about PACE that's exactly the same as three years ago," said Henry Haimsohn, chairman of Denver-based PACE Membership Warehouse. Like many of its competitors, PACE has narrowed sku's to 3,000 to 3,500 from 4,000 to 5,000 sku's. Groceries and sundries continue to generate more than half of PACE's total sales, while hard lines is the next largest category.

With the industry still working on profit margins of around 10%, streamlining assortments for higher inventory turns persists. Past moves to broaden assortments and increase sku's have widely meant lower inventory turns and decreased profits for warehouse clubs that have made such adjustments, most industry watchers said. PACE and others have pared assortments across the board.

"Those who don't make these kinds of changes will be left [further] behind," Haimsohn asserted.

How many warehouse clubs the American economy ultimately will support is a question frequently raised but rarely answered, at least with any great degree of certainty. For a market as young as this one, there has been a lot of talk regarding a shakeout.

"People are already hitting head-to-head in major markets, and that will continue," predicted Alan Pennington of Pennington Associates, a retail consultant. "Eventually there will have to be a major shakeout."

Plenty of Industry Expansion Foreseen

Most industry analysts, however, still see plenty of growth left for the industry.

"It's almost impossible to predict how many warehouses the country can absorb. The market is much too young still," said Fred Windsor, a retail analyst with Alex. Brown & Sons, Baltimore. "The only thing we know for sure is that expansion will definitely be swift." Windsor expects to see soon 600 to 700 units.

The leading warehouse club chains are: The Price Company, San Diego; Sam's Wholesale Club, the Wal-Mart division based in Bentonville, Ark.; and Seattle-based Costco Inc. Price and Costco both are operating profitably, and Sam's—though Wal-Mart declines to report its earnings separately—is widely thought to be profitable as well.

Analysts and competitors applaud all three companies for their insistence on making wholesale customers their top priority, rather than expanding assortments to attract more retail customers.

Charging that many other warehouse chains have developed "open door policies" in order to increase retail sales, Costco chairman Jeffrey H. Brotman said he sees little benefit in doing so.

(Continued on page 26)

Company	Sales		Units	
	1986	1985	1986	1985
Price Company	$2.8 bil.	$1.8 bil.	27	24
Sam's Wholesale Club	1.6 bil.	775 mil.	49	23
Costco	900 mil.	366 mil.	37	17
PACE	600 mil.	375 mil.	25	16
Super Saver	400 mil.	90 mil.	20	9
B.J.'s Wholesale Club	350 mil.	200 mil.	15	11
Makro	290 mil.	240 mil.	4	4
Price Savers	200 mil.	150 mil.	6	5
Warehouse Club	185 mil.	89 mil.	14	7
The Wholesale Club	140 mil.	96 mil.	11	5

Warehouse Club, a cash and carry membership club based in Skokie, Ill., doubled its size last year, growing to 14 units generating $185 million in sales.

Warehouse Expansion to Continue

(Continued from page 25)

"We're moving in the other direction," Brotman said, noting that more than 70% of Costco's sales are generated through wholesale purchases. "Maybe we're wrong, but we think we can do better by keeping out the casual customer and by concentrating on a smaller group of more loyal customers instead."

Many agree. In fact, some membership warehouse companies are in a constant struggle to bolster the wholesale side of their business.

"At one time we were only generating 40% of sales through wholesale purchases," said John Geisse, chairman of The Wholesale Club, Indianapolis. "Today, our wholesale business is up to 69% of total sales, and we're working very hard to keep increasing that share."

Geisse said he is encouraged by his company's recent ability to attract as customers somewhat larger businesses than it had been attracting in the past.

"We've got to get more businesses converting to self-service shopping," Geisse added. "If we can do that, this market is going to become huge."

Wholesale Club's chairman is more accepting, however, of warehouse companies that go after retail business.

"The market's going to mature, and as it does, some people will decide retail is for them; others will stick to wholesale," Geisse predicted.

'We think we can do better by keeping out the casual customer and by concentrating on a smaller group of more loyal customers instead.'

—Jeffrey H. Brotman, chairman, Costco

"Things aren't black and white in this business. There aren't many rights and wrongs where that issue is concerned yet."

Having begun on the West Coast with The Price Club, which boasted units sales volumes of as high as $100 million annually, membership warehouses expanded into the Midwest and to the East Coast.

But the results have fallen short of expectations, warehouse executives said.

Volumes almost never reach the stellar proportions Price managed to generate in the West, nor are most clubs likely to reach those levels.

The Midwest is said to be a particularly difficult market right now, not only because of intense competition spurred by a large number of warehouse openings but also because of other reasons.

"Some of the larger warehouse operations, like ours, are now operating in some relatively soft markets," said Wholesale Club chairman Geisse. "Milwaukee is a very competitive market right now, for example, as is the entire upper Midwest."

Warehouse Club chairman Teninga also targets midwestern markets as a challenge to warehouse clubs but wonders whether competition is really the major problem.

"West Coast markets and places like Texas are relatively new, wide open markets," Teninga said. "Chicago, Milwaukee and Detroit aren't. Traditional sources of supply are more firmly entrenched in that region. As a result, I think it's going to take longer for warehouse clubs to get individual business owners away from their traditional source of supply than it took on the West Coast. We're talking about severely altering a traditional supply source, one that's been around a whole lot longer than any one of us."

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Housewares Sales Turn Lethargic as Domestic Prices Leap 20%

By Arnold Reinhard
Vice President, Sales & Marketing, Schreiber Company

The best word to describe the sales of housewares during both the year and the fourth quarter is lethargic, even though several most significant shifts occurred in cookware, glassware, gadget and microwave lines.

I think the current competition among the different housewares shows might have negatively affected the business, because more time than usual was spent mulling over which show to go to, weighing costs and options.

Volume during the fourth quarter gained between 4% and 6%. Industry sales fared no better or worse for 1986 as a whole. Part of the problem, in my opinion, is the consumer debt load.

I believe consumers have never owed as much as they do right now. That means shoppers probably are trying to limit credit card use and curtailing high ticket purchases until a later date when they have paid off some of their debt.

Looking at the 1986 top cookware sellers versus the year earlier, one essential difference stands out. The number of domestic vendors that rank among the top 15 items has dropped dramatically and into their place have moved imports such as Normandy and Ken Carter.

Cookware Marked-Up 20%

What has happened? Domestic manufacturers marked-up cookware about 20% during the fourth quarter, partly in response to recent legislation.

As of Jan. 1, 1987, cookware importers began paying a 7% to 10% duty. Presuming importers will pass this cost on to consumers, that still leaves at least a 10% rise in domestic cookware prices relative to foreign-made stovetop pieces and sets.

Buyers I have spoken to are concerned about what will happen to domestic sales and this concern has been translated into heavy import ordering.

Corning's Clear Advantage line of non-stick glassware failed to make the top listings to date, but I believe it will soon make the rankings following the rollout of a consumer advertising program, which should make its debut within a few weeks.

Like Clear Advantage, it is hard to tell just how fast and far the Rubbermaid bright colors are going to go, but no doubt the National Housewares Manufacturers Association (NHMA) show in April will have booths brimming with merchandise decorated in the same pallet of colors. I was amazed at the acceptance of the Rubbermaid colors at the November shows.

The attempts to increase turns and multiple sales in glassware by introducing individually packaged tumblers are not accomplishing what the marketing people at manufacturers like Anchor Hocking and Durand thought it would do. One cannot blame them for trying any tactic that could help them tread in a market flooded with low ticket imports.

At the April show, I believe we will see more glassware manufacturers trying to get out of the rat race of prices by adding more sizzle. For many, the sizzle will be themes. Whether it be a Fourth of July motif or a country styling or, like Libbey, a more sophisticated, formal meal image, themes will be the next avenue they will try.

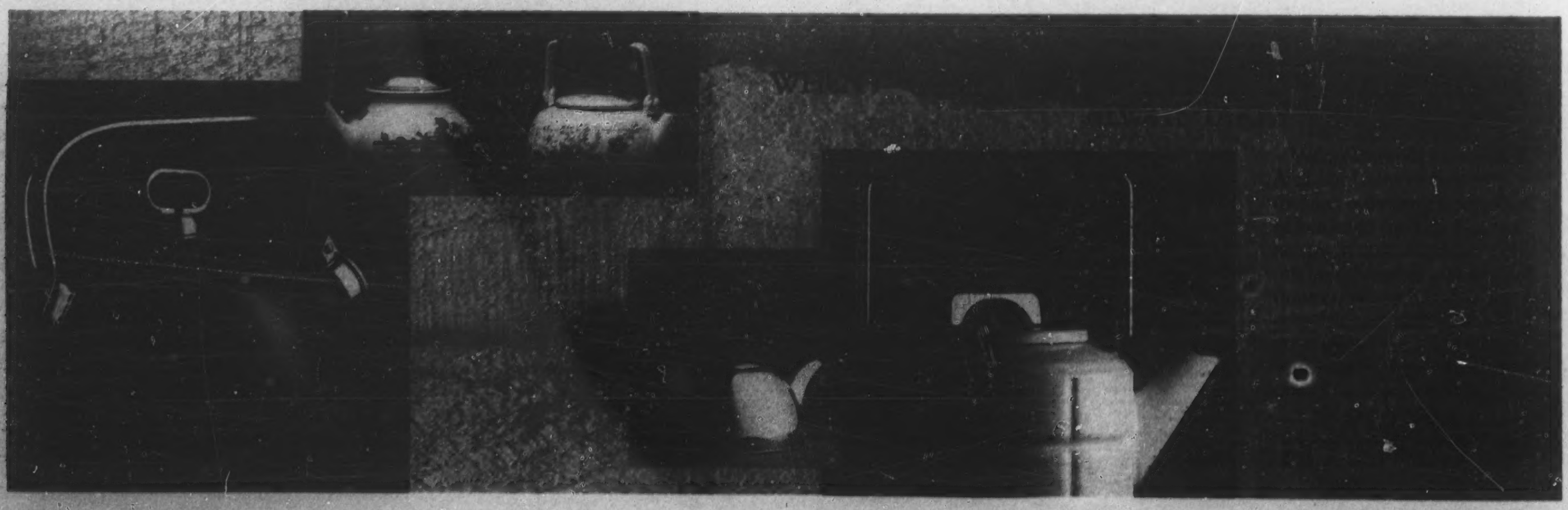
Gadgets continue to be real profit makers for retailers as the gadget wall, which had traditionally been an impulse area, becomes a shopper destination section. Colors and styles combined with practi-

(Continued on page 60)

There may be some incremental sales increases, but the primary reason why closet shop is performing somewhat better than in the past isn't really due to color. Simply put, closet shop has come out of the closet.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
TABLEWARE SETS				
1	Corl 16-144 Holly Day Set	12,974	21.91	280,316.54
2	Corl 116-4 16pc Gold	4,411	23.27	102,643.97
3	Corl 116-24 16pc Burgundy	4,016	23.27	93,452.32
4	Corl 116-23 16pc Morn Blu	3,705	23.27	86,215.35
5	Corl 116-29 16pc Rib Bouq	2,522	23.27	58,686.94
6	Corl 116-95 16pc Col Mist	2,065	23.27	48,052.55
7	Corl 220-451 20pc Peach	1,153	29.90	34,474.70
8	Corl 116-170 16pc Blu Lil	1,267	23.27	29,483.09
9	Corn 5016-73 Calco Rse 16	958	29.90	28,644.20
10	Corl 116-N 16pc White	1,160	23.27	26,993.20
11	Corl 116-172 16pc Rose	1,152	23.27	26,807.04
12	Corl 116-171 16pc Violets	1,120	23.27	26,062.40
13	Corl 220-74 20pc Windfiwr	856	30.23	25,876.88
14	Corl 320-332 20pc Pacifca	588	40.90	24,049.20
15	Corl 16-N Corelle Set Wht	992	23.19	23,004.48
GADGETS				
1	Rhod [illegible] Dazy Bell Timr	2,123	6.39	13,565.97
2	Swin 407/1 Port Open Asst	2,337	4.59	10,726.83
3	Brom 39 3cp Flour Sifter	4,455	2.24	9,979.20
4	Chup 103 Paring Knife	2,349	2.40	5,637.60
5	Brom 40 5cp Flour Sifter	1,477	3.30	4,874.10
6	Ekco 30761 Sm Turner Nyl	2,867	1.59	4,558.53
7	Ekco 08852 Can Opener	4,019	1.05	4,219.95
8	Ahsw 1574 4pk Paring Knif	3,210	1.28	4,108.80
9	Ekco 30401 Pan Turner Nyl	2,553	1.59	4,059.27
10	Ekco 00050 Peeler	3,144	1.29	4,055.76
11	Ekco 08652 Can Opener	2,640	1.52	4,012.80
12	Ekco 30431 Jmbo Turnr Nyl	2,618	1.52	3,979.36
13	Chup 104 Utility Knife	1,440	2.70	3,888.00
14	Weco 5900 Nylon Baster	4,000	.93	3,720.00
15	Ekco 25750 Wd Rolling Pin	1,145	3.23	3,698.35
COOKWARE				
1	Regl W3271 12" Goumet Pn	1,652	7.18	11,861.36
2	Regl W3270 10" Goumet Pn	2,034	5.12	10,414.08
3	Foly 797-79 7pc Pol Ss St	521	18.81	9,800.01
4	Kenc 75210C 7pc Crp Bottm	523	14.46	7,562.58
5	Norm 312 12qt Cv Pot Alm	822	9.00	7,398.00
6	Shin 107HW 7pc Ss Set	624	10.98	6,851.52
7	Lodg 8SK2 Skillet 10-½	1,078	5.45	5,875.10
8	Miro MO932-36 TKettl Cho	1,097	4.82	5,287.54
9	Norm 230D 2qt Scpan Almn	2,075	2.52	5,229.00
10	Regl W3269 81/2 Goumet Pn	1,445	3.44	4,970.80
11	Norm 376 6qt Cov Pot Alm	728	6.75	4,914.00
12	Norm 310D 1qt Scpan Almn	2,304	1.89	4,354.56
13	Foly 397-79 7pc Cook Set	103	26.31	2,709.93
14	TFal 7130 11" Frypan	180	13.28	2,390.40
15	Miro C7976 Cov Sauce Pot	370	6.35	2,349.50

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
CORNING VISIONS				
1	V-300 Saucepn St 6pc	18,035	37.02	667,655.70
2	V250P Sauc & Skil St	9,054	17.47	158,173.38
3	V-370 7pc Vision St	2,971	52.51	156,896.51
4	V-581 5qt/Free Sauce	3,219	20.84	67,083.96
5	V-360 6pc Cov Set	1,543	41.40	63,880.20
6	V-10 Vision Skill 10	3,789	15.27	57,858.03
7	V-20 1.5qt Dubl Bir	1,959	21.48	42,079.32
8	V-6 Vision Skillet 7	4,434	7.92	35,117.28
9	V-9 Vision Skillet 9	2,935	10.60	31,111.00
10	V-5 Cov Saucepan 5qt	1,426	20.84	29,717.84
11	V-2.5 Cov Pan 2.5qt	1,474	17.40	25,647.60
12	V-1.5 Cov Pan 1.5qt	1,610	14.18	22,829.80
13	V-3.5 Cov Stm/Stw	943	19.35	18,247.05
14	V-1 cov Saucepan 1qt	1,366	12.14	16,583.24
15	V-17-BP Saucepan	3,062	3.51	10,747.62
CLOSET SHOP				
1	Corr C2410 Stor Chest Cdr	15,072	1.46	22,005.12
2	Lee 3X62W Garment Rack	1,501	13.41	20,128.41
3	Mabx 288 Moth Balls 1lb	14,362	1.22	17,521.64
4	Corr C2806 Underbed Ch Cd	9,355	1.46	13,658.30
5	Lee 1562 Ex Stor Clos Wt	315	27.54	8,675.10
6	Lee 3150 Overdoor Rack	535	13.54	7,243.90
7	Corr M755 3pc Skirt Hang	3,687	1.82	6,710.34
8	Tamr 6878/144A Bulk Tb Hn	57,806	0.11	6,279.46
9	Corr M766 4 Tier Skirt Rk	2,352	2.41	5,668.32
10	Corr W2112 Sm 4 Drawr Cht	637	7.53	4,796.61
11	3X11 W841H 2 Wood Skt Hng	3,264	1.37	4,471.68
12	Mabx 287 Moth Flake 1lb	3,525	1.22	4,300.50
13	Mabx 129 Hang Block Lavnd	3,336	1.26	4,203.36
14	Tamr 6878/144B Ast Pstl H	37,716	0.11	4,148.76
15	Corr W840H 2 Wood Pnt Hng	2,935	1.37	4,020.95
RUBBERMAID				
1	2890 30gal Rghnck Ch	1,641	14.00	22,974.00
2	2965 Lndy Bskt Slate	3,251	5.07	16,482.57
3	2864 Swngtp Bskt Alm	2,032	7.45	15,138.40
4	2965 Lndry Bskt Almn	2,835	5.07	14,373.45
5	2864 Swngtop Bskt Ch	1,924	7.45	14,333.80
6	2965 Lndry Bskt Choc	2,692	5.07	13,648.44
7	2965-95 Lndry Bsk Al	3,514	3.88	13,115.52
8	2864 Swgtp Wbsk Slte	1,799	7.45	12,732.05
9	2858 Step On Can Alm	1,103	11.49	12,673.47
10	2894 32gal Rnock Cn	689	18.03	12,422.67
11	7041 Bath Mat White	2,351	5.03	11,825.53
12	2965-95 Lndry Bsk Sl	3,132	3.70	11,588.40
13	7041 Bath Mat Slate	2,057	5.03	10,346.71
14	0450 Bath Mat Slate	3,336	2.91	9,707.76
15	0450 Bath Mat White	3,334	2.91	9,701.94



Housewares Sales Turn Lethargic as Domestic Prices Leap 20%

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	BAKEWARE			
1	Ekco 64100 Cookie Sheet	5,099	2.98	15,195.02
2	Ekco 64110 Cookie Sheet	4,340	3.31	14,365.40
3	Ekco 64330 Oblong Cake Pn	4,430	2.98	13,201.40
4	Ekco 64080 Cookie Sheet	3,574	2.36	8,434.64
5	Norm 6608 OR-15 Oval Roastr 18	986	8.37	8,252.82
6	Ekco 64200 12cp Muffn Pn	2,121	3.62	7,678.02
7	Ekco 64260 Bake/Roast Pan	1,821	4.13	7,520.73
8	Ekco 64590 12" Pizza Pan	2,135	2.98	6,362.30
9	Norm OR-11 Oval Roaster 4	1,428	4.05	5,783.40
10	Ekco 94270 Broiler Pan	492	11.58	5,697.36
11	Miro C6032 Tea Muffin Pan	4,123	1.36	5,607.28
12	Ekco 64470 Loaf Pan B Sct	2,139	2.61	5,582.79
13	Ezpr 1816 Roastr/Bakr Pan	3,300	1.54	5,082.00
14	Prog 720 Springform Mold	1,325	3.82	5,061.50
15	Ezpr 1894 Lasagna Pan	3,066	1.54	4,721.64

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	CORNING			
1	430-167 Bwl St Blue	2,951	11.33	33,434.84
2	A-3-93 Cov Cass Past	1,314	16.24	21,339.36
3	A-300-93 6pc St Past	667	31.96	21,317.32
4	A-321-93 Cs/Rst Past	531	38.15	20,257.65
5	P-43-93 Pet St Pastl	1,479	11.62	17,185.98
6	A-1 ½-93 Cass Past	1,374	11.78	16,117.02
7	A-321-8 Cas/Rst Spic	421	38.15	16,061.15
8	P-43-8 Petit St Spce	1,335	11.62	15,512.70
9	A-321 Cas/Roast Corn	334	38.15	12,742.10
10	MW-375 Microwave Set	649	19.21	12,467.29
11	A500-93 Chef St Past	200	60.47	12,094.00
12	A500-8 Chef Set Spic	200	60.47	12,094.00
13	P-43 Petite Set Corn	1,002	11.62	11,643.24
14	P-104-93 Teapot Past	736	15.16	11,157.76
15	A-21-93 Roaster Past	678	11.74	11,010.72

Source: Schreiber Co., distributor, Lititz, Pa., for the period of November 1986 through January 1987, covering 825 stores, including 725 discount stores, in the Northeast, Southeast and Mid-Atlantic regions. Average retail prices reflect typical price points for mass merchandisers.

(Continued from page 58)

cality are making gadgets almost a gifty buy.

The reverse is happening in closet lines. Despite the commotion about the supposed surge in fashion closet lines like storage boxes and garment bags, I do see nothing that is really moving.

There may be some incremental sales increases, but the primary reason why closet shop is performing better isn't because color. Simply put, closet shop has come out of the closet.

The department had been considered unsightly. The awkward shapes and dull colors prompted retailers to stow away that merchandise against some corner back wall where no shoppers would happen upon it unless that was the merchandise they expressly were looking to buy.

The housewares industry is so complex—an umbrella for everything from seasonal furniture to cookie jars, indoor grills and personal care appliances—that you can't please everyone.

The decision by many manufacturers to bring color into closet lines has made retailers rethink the product's placement in the store.

Treated more like a fashion purchase, closet shop has become more visible. Any merchandise that is more visible will no doubt sell better, regardless of whether it is black or fuschia.

As far as the houseware show options are concerned, I think the NHMA probably will end up with its long-standing, January and July two-show schedule. The July show was never bad, but it never will be as popular as the January show.

January always has been the big NHMA event, with only a portion of those vendors attending the summer show as well.

The housewares industry is so complex—an umbrella for everything from seasonal furniture to cookie jars, indoor grills and personal care appliances—that you can't please everyone.

The housewares industry needs two shows. Buyers need to go to two shows to keep in touch with the industry and maintain a dialogue with their sources.

While the larger vendors could probably survive without any show, since they can afford to visit primary accounts, the smaller manufacturers require a selling arena.

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CHAIN STORE GUIDE

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☐ Please send me _____ set(s) of the 1987 DIRECTORY OF HOME CENTER OPERATORS & HARDWARE CHAINS and the 1987/88 DIRECTORY OF HARDLINES DISTRIBUTORS for only $300 per 2-volume set—a saving of $48 off the regular price.
☐ I prefer to purchase only:
_____copy(ies) of the 1987 DIRECTORY OF HOME CENTER OPERATORS & HARDWARE CHAINS for only $179 (a saving of $10 off the regular price).
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☐ I would like more information on the availability of this data on mailing labels, magnetic tape, or diskettes.
☐ Check enclosed (payable to Chain Store Guide)
☐ Bill me (subject to approval; or attach purchase order with this form
☐ Charge to credit card
☐ American Express ☐ VISA ☐ MasterCard ☐ Diners Club
Account No. _____ Expires _____
Authorized Signature _____
Name _____ Title _____
Company _____
Address _____ Phone # ( ) _____
City/State/Zip _____
Applicable sales tax will be added in New York and California as well as a $3 shipping and handling charge for each volume shipped. Prices subject to change. Add $30.00 for foreign orders payable in advance.

Fear of AIDS Propels Rapid Growth In Condom Segment of Contraceptives

By Charles Bowlus
Vice President,
Boston Distributors

One of the hottest growth categories for 1987 will be the condom segment of the contraceptive market. Consumer awareness of the threat of AIDS is the driving force behind this growth, with health organizations, family planning groups and government agencies providing the impetus.

President Reagan and the Surgeon General of the United States have openly recommended the use of condoms and have supported efforts on the part of the manufacturers to procure TV advertising for their products. With support from the top, it is only a matter of time until Ansell, Young and Schmid will be on the air educating the American public about the importance of using condoms in combating the spread of AIDS.

The $115 million condom market is presently broken down as follows:

- Lubricated 32%;
- Ribbed 27%;
- Dry 24%;
- Spermicide Lubricated 11%.

Eighteen percent of the market, spreading across the lubricated segments, is being done in natural skins with the remainder going to the latex brands. Boston's top selling sku, reflecting the strength of the segment as well as the dominant position of the brand, is Trojan's ENZ Lubricated Condom in the popular dozen package.

Young's Trojan brand, with six put-ups landing in our top 15, also took the No. 2 spot with its ribbed put-up and the No. 4 rank with the dry sku. Ramses, from Schmid Labs, was in the No. 3 spot with its spermicidal lubricant condoms, also in the dozen package. Lifestyles took the No. 5 ranking, with its ultra thin Nuda package, and No. 6, with its ribbed Stimula brand. Ansell, the makers of Lifestyles, is leading the effort to obtain approval of TV advertising for male contraceptives.

Discounters should merchandise condoms in the contraceptive section next to other feminine hygiene products since women are the primary shoppers for these purchases.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	CONDOMS			
1	Trojan ENZ Lubricated, 12's	10,207	4.19	42,767
2	Trojan Ribbed, 12's	7,806	5.39	42,074
3	Ramses Extra, 12's	6,418	5.69	36,518
4	Trojan Regular, 12's	11,018	2.99	32,944
5	Lifestyles Nuda, 12's	5,760	4.19	24,134
6	Lifestyles Stimula, 12's	5,447	4.19	22,823
7	Excita, 12's	4,204	5.39	22,660
8	Sheik Lubricated, 12's	5,161	4.29	22,141
9	Trojan ENZ, 12's	6,084	3.49	21,233
10	Fourex, 3's	2,920	6.39	18,569
11	Sheik Reservoir, 12's	3,745	3.99	14,943
12	Trojan ENZ Lubricated, 36's	984	10.99	10,814
13	Trojan Regular, 36's	832	7.69	6,398
14	Excita, 36's	410	14.79	6,064
15	Sheik Ribbed, 12's	1,140	5.99	6,829

Source: Boston Distributors, Maple Heights, Ohio, for calendar 1986. Average retail prices reflect typical prices for discount stores.

Condom Ads Draw No Adverse Public Reaction

(Continued from page 69)

Retail prices for LifeStyles usually range from $4 to $5 a dozen, Hoffman said. Deep discounters such as Drug Emporium, however, still can "make money, but not a lot" at $2.12 a dozen, he said.

For many chains, margins on condoms run from 50% to 65%.

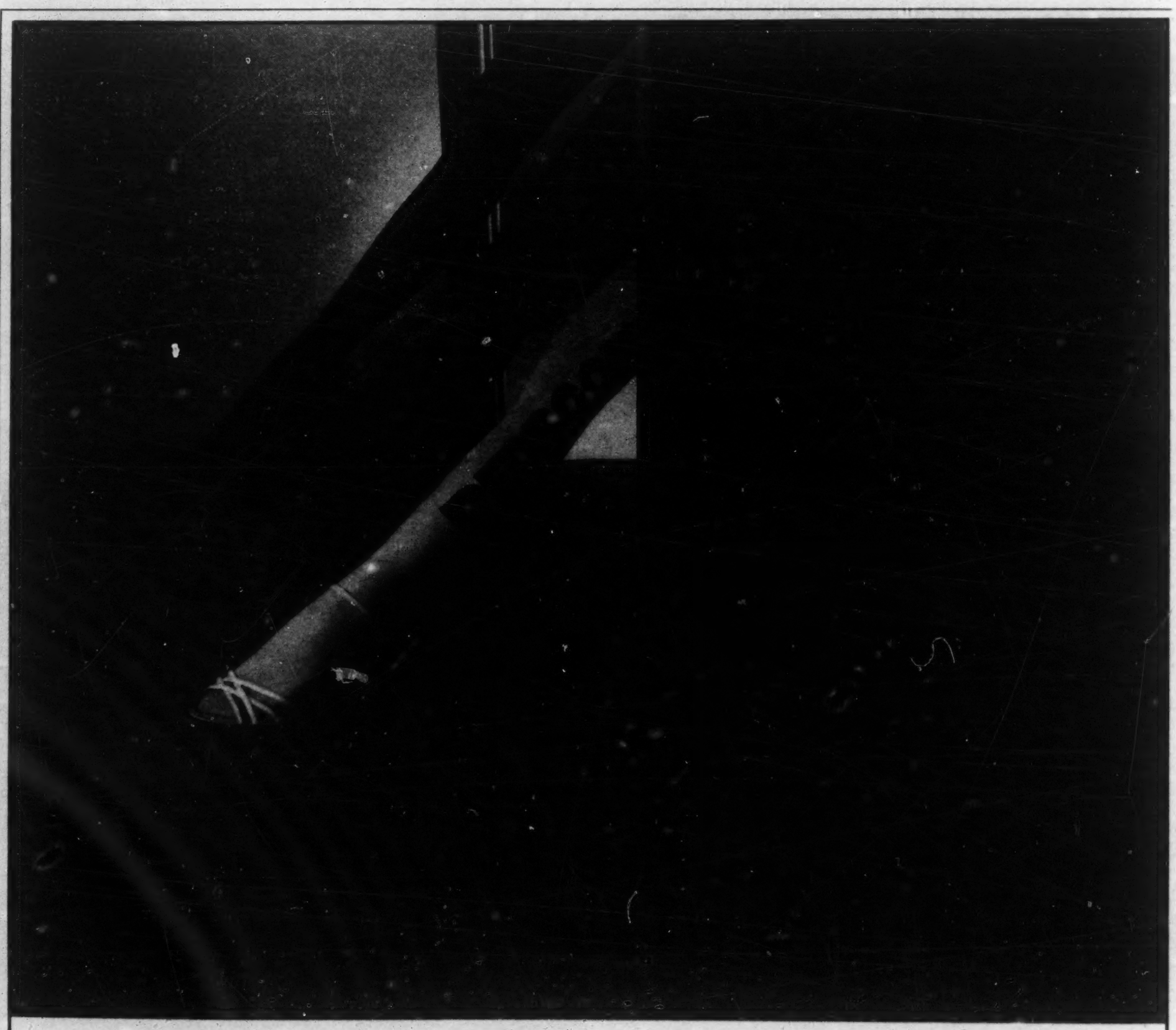
On print and radio advertising, Ansell offers a co-op ad program, Hoffman said, but TV advertising is too expensive for co-op.

So far, Perry is holding off advertising. "Condoms are going to sell like hotcakes, whether we advertise or not," said Rainey, the pharmaceuticals buyer. "I'm not sure whether it would be cost effective," she said.

Revco has advertised condoms in print for years through various co-op programs of manufacturers, said Ochuly. Over the years, the advertising has drawn only an occasional letter of protest, she said. But results of the advertising "are hard to measure," Ochuly added.

K mart plans no condom advertising, said Kramer.

Wal-Mart also has no plans to advertise condoms, said Meyer. "We probably won't, because it's so controversial," Meyer said.



To acquaint you with our complete department of foot products, we're launching a major consumer advertising effort this Spring. We're advertising No-Slips ball-of-foot cushions for women's high heeled shoes and sandals.

Consumers will learn about No-Slips in McCALLS, REDBOOK and WORKING WOMAN. And they'll come running to your stores looking to buy. Don't be caught without them.

So, put your best foot forward. Cash in on the 12,679,221 cumulative audience members our ad campaign will reach this spring. Stock up on No-Slips now.

And learn more about Premier's™ complete line of foot products, too. With product quality equal to or greater than that of the other major, Premier's line makes more efficient use of your retail space. And creates higher volume and greater profit per square foot than that of the other major marketer of foot products.

Call our Consumer Products Division at (718) 522-0520. Or write us at 127 Wallabout Street, Brooklyn, NY 11206.

Premier

From Premier Brands of America, Inc.
Formerly PWC Products Co., Inc.

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Photo Shipments in '86 Hold Flat at $18B, Commerce Reports

WASHINGTON — The sales picture for consumer photographic products remained out of focus during 1986, concluded a U.S. Commerce Department anaylsis.

Shipments by U.S. photo supplies manufacturers recorded no increase at all in 1986, researchers reported. Shipment value remained at $18 billion in both 1985 and 1986. The standstill was particularly significant because it compounded an even worse 1984 scenario when shipments dropped 4.2%.

Nose-diving sales of the disc camera spearheaded the bleak performance by the photo equipment industry last year. Unable to compete with compact, automatic non-SLR (single-lens reflex), 35mm cameras, discs dropped 4% to 600,000 unit imports in 1986.

"Improved film, telephoto models and fashion colors failed to increase consumer interest in disc cameras," researchers said.

Nose-diving sales of the disc camera spearheaded the bleak performance by the photo equipment industry. Unable to compete with compact, automatic non-SLR, 35mm cameras, discs dropped 4% to only 600,000 unit imports in 1986.

In contrast, the new autofocus SLR 35mm camera "helped to renew consumer interest in this previously stagnate product group," government researchers concluded. SLR imports rose 5% to 3.5 million units in 1986.

In addition, "moderately-priced" non-SLR 35mm camera imports were also on the rise—up 30% to 3.7 million last year. Value of SLR and non-SLR 35mm imports topped $600 million in 1986. ("Very few" 35mm cameras are made in the U.S.)

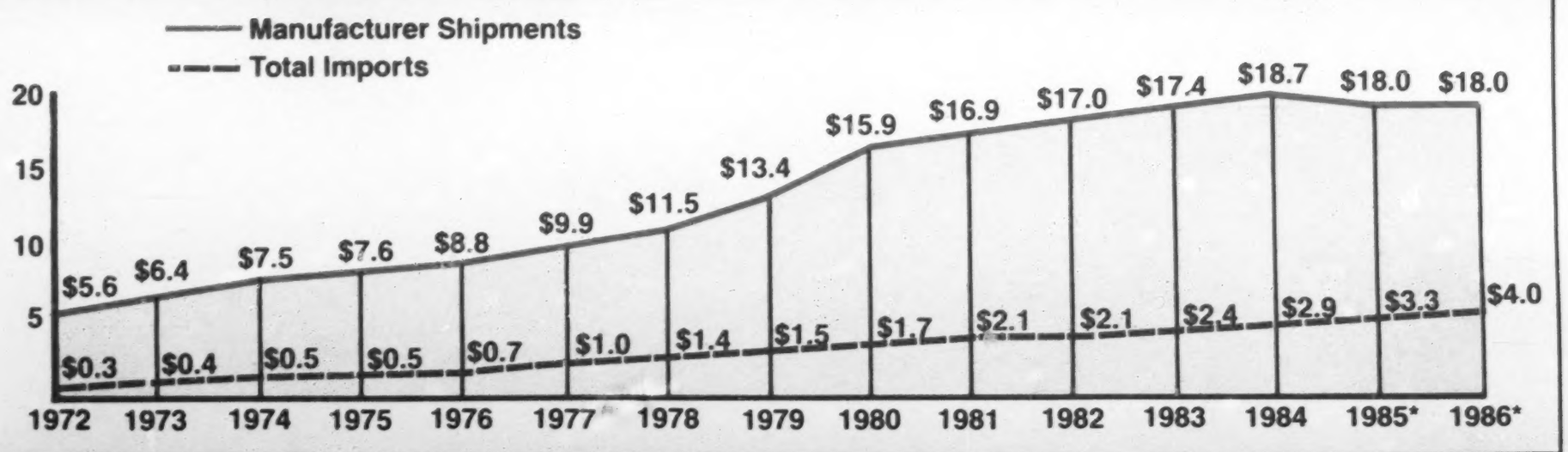
On the home front, however, Polaroid introduced a new instant camera system—the first in 14 years.

"The success of this system may result in the first upturn in instant camera sales in eight years," economists predicted. "Amateur" instant camera sales have dropped each year after the peak year of 1978.

The Polaroid newcomer incorporates electronic functions, including automatic focus, exposure, picture ejection and film advancement.

Nonetheless, U.S. photo industry shipments will remain flat in 1987 and probably stay under 2% annual gains for five years, economists warned.

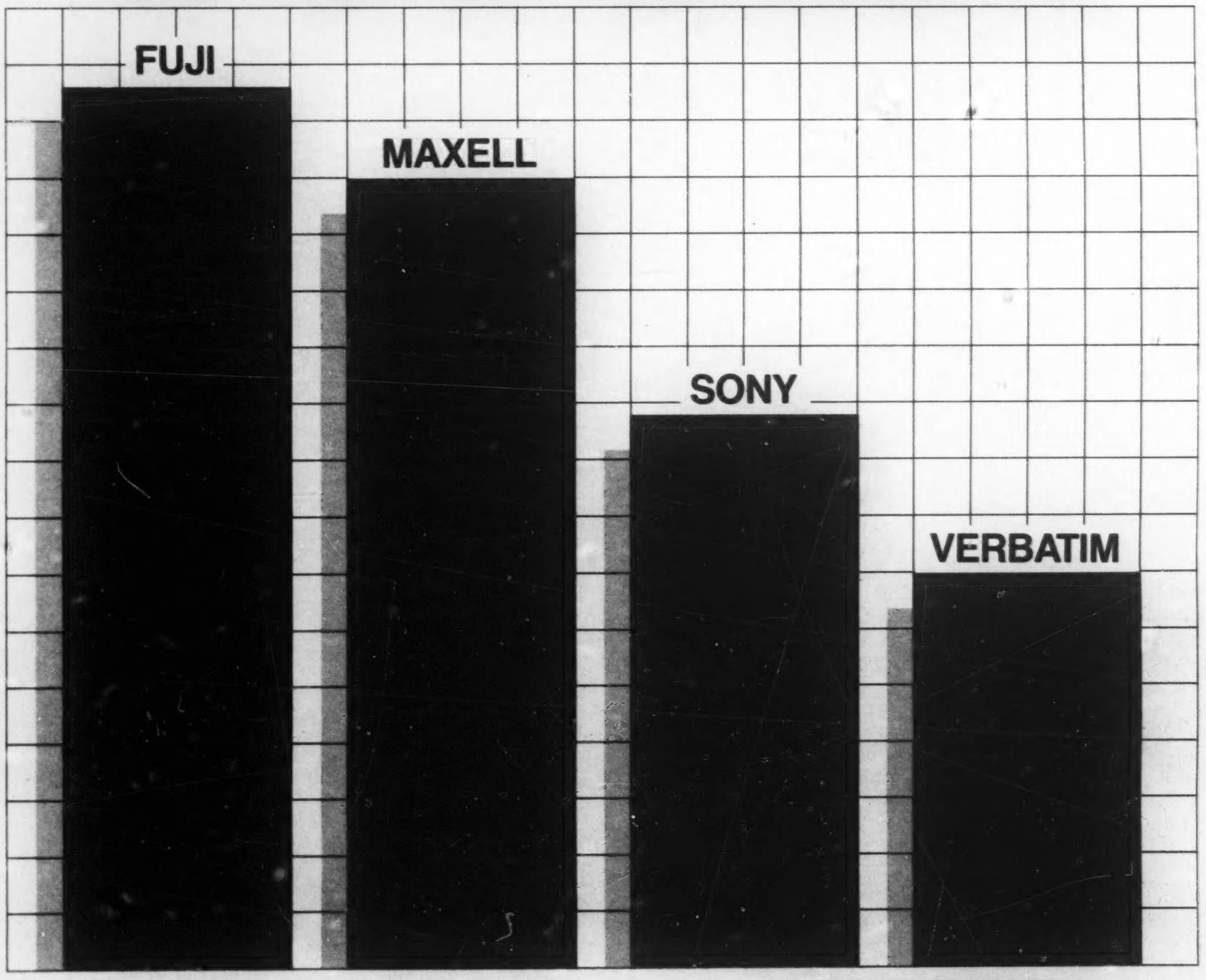
Photo Equipment & Supplies: Value of Shipments and Imports, 1972-1986
(In Billions)



*Estimate

Source: U.S. Commerce Department

FUJI. THE DISK THAT'S AT THE TOP OF THE CHARTS.



When we heard the results of a recent independent retailer survey, it was music to our ears.

Researchers talked to VARs and PC retailers over a five-month period. And during that time, more of them named Fuji as their best-selling diskette than any other brand.

The reason? Fuji disks, like our other high-quality magnetic products, offer consumers exceptional performance. And they offer retailers, dealers and distributors exceptional profit margins and promotional opportunities. So if you think you can still make it to the top of the sales charts without carrying Fuji, it may be time to change your tune.

For more information about Fuji products, promotions and dealer incentive programs, call your regional representative listed below or 1-800-367-3854. FUJI

Source: SRI Research © 1987 Fuji Photo Film U.S.A., Inc. Computer Media Division, 555 Taxter Rd., Elmsford, NY 10523

Northeast Region: 1-800-526-9030 In New Jersey: (201) 507-2500
Southeast Region: 1-800-241-6005 In Georgia: (404) 441-2222
Central Region: 1-800-323-4826 In Illinois: (312) 569-3500
Western Region: 1-800-241-7695 In California: (213) 636-0101

Commerce Projects 5.9% Slump in 1987 Toy Shipments

WASHINGTON — The Teddy Ruxpin-inspired avalanche of dolls, plush toys and action figures on the 1986 toy market will continue to glut retailers' inventories through 1987, the U.S. Commerce Department predicts.

In a recent study of the U.S. marketplace, government economists cautioned that the rise in personal disposable income expected this year (2.4%) will not offset the 1986 toy glut, which left many businesses with unsold stock still in warehouses.

"The inability of the industry to establish new product trends resulted in increased inventories being carried over into 1987," economists said. As a result, they projected that shipments of dolls will drop about 1.8% this year. Toys and games will be hit even harder, with shipments predicted to slump more than 6.5%. Overall, toy shipments are expected to drop 5.9%.

Significantly, U.S. toy industry performance in 1986 already was "lackluster."

Value of toy shipments rose from $4.72 million to $4.76 million in 1986, the Commerce Department estimated. However, the minimal dollar increase represented a drop of 0.9% in shipments when adjusted for inflation. Doll shipments were down 1.2%, and games and other toy shipments dropped 0.9%.

"These declines reflect the inability of the industry to develop substitutes for the excitement-generating products of previous years," researchers said. For example, Coleco's Cabbage Patch Doll, Hasbro's Transformers and Tonka's Pound Puppy all have dominated the market.

At the same time, one of the previous "blockbuster" toys was backfiring on the industry. Hoping to duplicate the success of Worlds of Wonder's Teddy Ruxpin, "every major manufacturer produced an entry for the talking plush segment of the market," they reported. But the new toys came when high prices and a reported defect in the prototype had made consumers wary of these products, they said.

Better Years Foreseen

Government forecasters are painting a rosier picture, however, for toy sales from 1987 to 1991.

"Favorable demographics and projections for real personal disposable income, combined with the ability of manufacturers to stimulate consumer demand, point to a rebounding of the U.S. industry," they said. During the 1987 to 1991 period, shipments of U.S.-made dolls and toys should increase an inflation-adjusted 1.7% per year.

Value of Shipments: Dolls, Toys & Games, 1972-1986*
(In Millions)

	1972	1984	1985**	1986**	% Change 1972-1984	% Change 1979-1984	% Change 1984-1985	% Change 1985-1986
Value of Shipments*	$1.9	$4.6	$4.7	$4.8	7.6%	4.2%	1.7%	1.0%
Dolls	0.2	0.6	0.6	0.6	9.9	12.7	3.9	−1.1
Toys & Games	1.7	4.0	4.1	4.1	7.3	3.2	1.4	1.3

*Value of all products and services sold by the dolls, toys & games industry.
**Estimate

Source: U.S. Commerce Department

Toy Makers Warn About Knockoffs

(Continued from page 77)

is certainly fair to say any retailer would consider carrying it if level of profitability is acceptable," said George Colgan, senior toy buyer, Troy, Mich.-based K mart.

"The customer is the ultimate test whether the item is acceptable. If the customer doesn't buy it, it won't last, and only the original will be important," Colgan said.

For example, when the Cabbage Patch dolls craze was at its zenith, said Colgan, many retailers carried look-alike dolls that did not infringe on trademark or patent rights and were avidly sought by customers because they could not get Cabbage Patch dolls.

Colgan noted that those manufacturers did well for about a year and a half until the original product was available to general public. Then the interest in the look-alikes faded.

"If the vendor who made the product popular makes significant product to satisfy market demand, knockoffs would not exist to any great degree," Colgan added.

Mattel Inc. protects its properties by working closely with the Customs Department. If Mattel suspects or hears of a problem, it will notify customers with ads in various trade magazines.

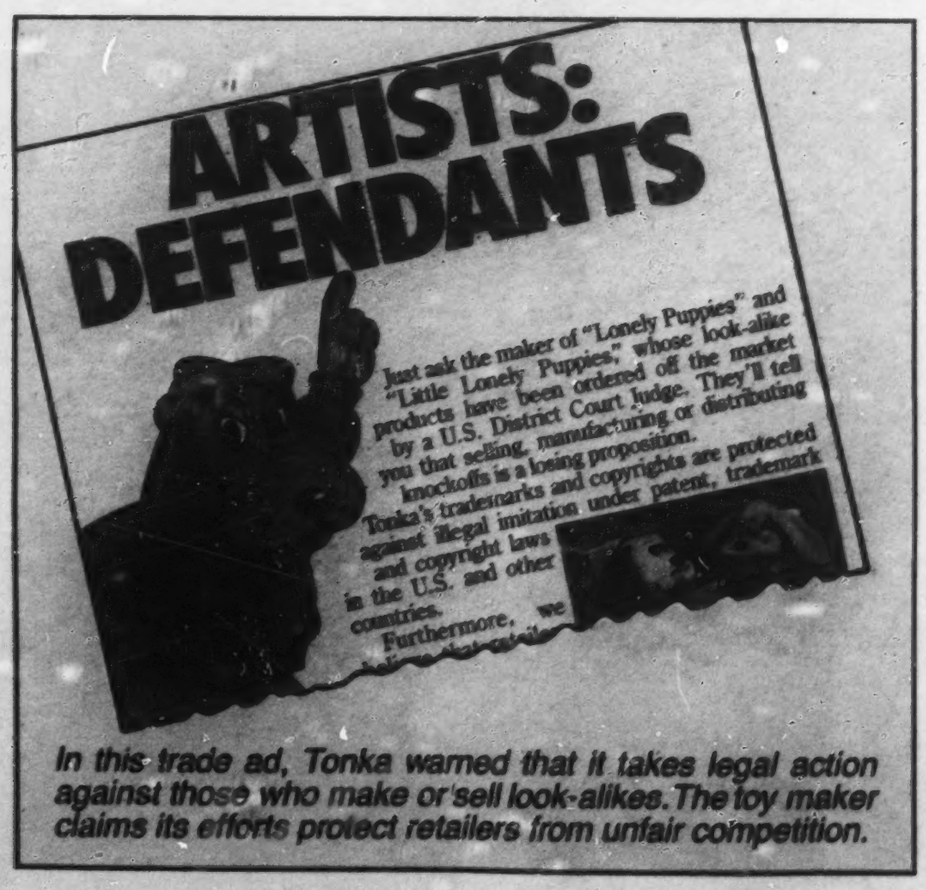
"We will defend ourselves by notifying our customers in trade publications that they will lose money on these knockoffs," said Loren Hildebrand, executive vice president, sales and merchandising for Mattel.

"If some slip in, we ask retailers to take them right off the shelves and stop it," she said. "If we spot something on the shelves that we feel is an infringement, we will call the customer right away so there are no surprises when we pursue it."

Mattel employs 150 representatives who work in-store with point-of-presentation displays, Hildebrand said, and while there, they look for possible infringements and knockoffs.

Instead of advertising in trade publications, "manufacturers should monitor what is going on in the marketplace to make sure no one can take their trademarks," advised Pete Kelly, senior vice president, sales, Kenner Products, Cincinnati, Ohio.

"If you don't take action when trademarks are trespassed on, you are in a sense saying, 'It is all right.' And if you don't act on one knockoff product and then act on another, the accused manufacturer is saying, 'Why me?' Manufacturers need diligent protection and should not let these measures weaken," Kelly emphasized.


ARTISTS:
DEFENDANTS
Just ask the maker of "Lonely Puppies" and "Little Lonely Puppies," whose look-alike products have been ordered off the market by a U.S. District Court Judge. They'll tell you that selling, manufacturing or distributing knockoffs is a losing proposition.
Tonka's trademarks and copyrights are protected against illegal imitation under patent, trademark and copyright laws in the U.S. and other countries.
Furthermore, we

In this trade ad, Tonka warned that it takes legal action against those who make or sell look-alikes. The toy maker claims its efforts protect retailers from unfair competition.

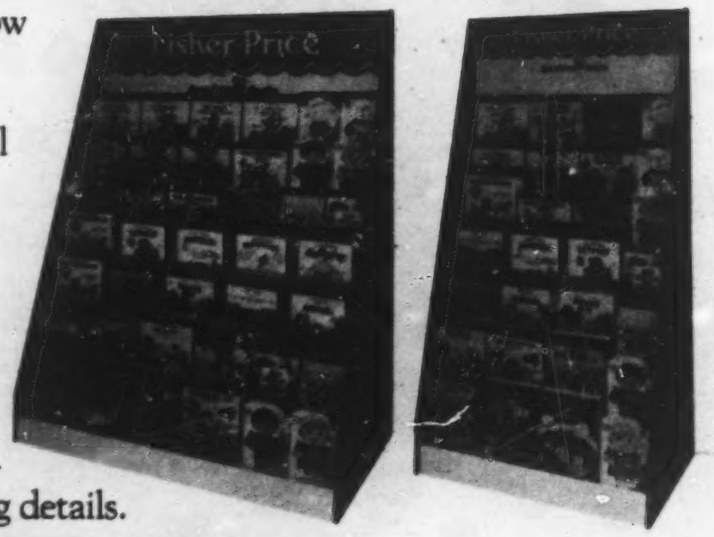
America, get reading.
Read a poem aloud each night before dinner. Read to your kids.
Make all your gifts books.
Subscribe to a magazine you've always wanted. Read the book before you see the movie.
Make sure everyone in your family has a library card.
Make sure they use it.
Experience the power and pleasure of reading.

Use America's libraries.

American Library Association

The story on Little People profits.

Little People Books know how to make big people profits. Order our new 4′ or 2½′ permanent display and you'll get more turns per square foot than you ever thought possible — that's the power of the Fisher-Price brand. And by ordering displays you might just end up as a character in a Spider-Man® comic! Ask your Marvel representative for all the exciting details.



Fisher-Price
Little People Books

MARVEL BOOKS 387 Park Avenue South, New York, NY 10016, 212-696-0808

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3/30/87 C5150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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NHMA Show Draws Housewares Buyers

Housewares buyers will flock to Chicago in April for the National Housewares Manufacturers Association show. DSN's special 35-page show package, including articles on the RTA furniture boom, colorful clocks, new UL-regulations covering small appliances, a trendy New York City specialty dealer, a photo essay on discounters' housewares departments and a look at current retailer housewares advertising, begins on page 37. (DSN photo)

Price Club Acquires TSS Units for $50M

By Donald Longo

BROOKLYN, N.Y. — After spurning numerous suitors over the past decade, 90-year-old George Seedman, chairman of the 32-unit TSS-Seedman's discount chain here, finally said, "I do," this month to The Price Company's proposal to acquire his discount chain for at least $50 million.

Price Company's purchase of the 69-year-old privately-held company provides the nation's largest membership warehouse club chain with a foothold for blitzing the New York metropolitan area with as many as 13 Price Clubs by the end of next year.

Price, which operates 27 membership clubs in five states churning out more than $2.5 billion in sales annually, could be generating an additional $500 million if it elects to renovate all 12 TSS-Seedman department stores in the New York area large enough to accommodate Price Club's 100,000-sq.-ft. warehouse format. Price intends to convert some TSS-Seedman's stores into Seedman Price Clubs starting in 1988.

Price's agreement, which is expected to be executed by the end of April, calls for the membership club chain to acquire at least 81% of the discounter's outstanding stock under terms that envision a purchase of the entire company. The initial $50 million payment is subject to upward revision based upon future events, according to informa-

(Continued on page 95)

TSS-Seedman's has agreed to sell the discount store chain to San Diego-based Price Club, the nation's largest membership warehouse club chain. (DSN photo)

K mart Chairman Fauber Predicts Sales Will Reach $26 Billion in 1987

TROY, Mich. — K mart Corp., which posted sales of $23.8 billion for 1986, will sail past the $26 billion mark this year, chairman Bernard M. Fauber predicted.

The 1986 sales figure represents an 8% increase over 1985 in sales from its continuing operations: K mart stores, Waldenbooks, Pay Less Drug, Bargain Harold's, Kresge and Jupiter stores.

Fauber's projection for 1987 volume would amount to a volume gain of more than 9% over last year's figures. That projection also confirms *DSN's* own estimate for volume by the retail mammoth by the end of this year (see *DSN*, Dec. 8, 1986, page 1). It also supports *DSN's* projection that, if the corporation's sales increase by 7% per year, K mart could outperform Sears by 1991.

Bernard M. Fauber

Last year, net income from

(Continued on page 95)

Wal-Mart Profits Shine Amid Mixed '86 Results

Nationwide DSN Report

Heavily mixed year-end results, large-scale expansion and heavy investment marked 1986 year-end financial reports released this month by major discount retailers. Overall, most leading discounters prospered. However, New England regional discounters suffered from store proliferation and tough competition for the Northeast's lucrative market.

Except for those operating in the overcrowded Northeast, discounters planned aggressive expansion for 1987, even at the cost of lower year-end profits.

Minneapolis-based Target, for instance, will open 50 refurbished Gemco stores and several other newly constructed stores this year, anticipating a "negative impact on 1987 earnings of approximately 30¢ per share" as a result. The chain will also enter the Pacific Northwest with as many as 35 units over the next five years.

The nation's two largest discounters posted substantial gains, setting sales and earn-

(Continued on page 95)

Crazy Eddie Expands into White Goods In New, Larger Stores outside New York

EDISON, N.J.— Crazy Eddie could be selling major appliances as early as the end of April as the 36-store consumer electronics chain here turns its attention to operating larger stores outside the Metropolitan New York Area.

A Crazy Eddie store in Philadelphia, which opened in November, will be carrying major appliances such as refrigerators, washers and dryers by the end of April, said a store source. Plans call for the delivery of purchased goods to be handled by the manufacturer, said an analyst who follows the company, avoiding the burden of inventory and distribution costs.

Officially, a Crazy Eddie spokesman declined to comment specifically on the company's plans except to say that major appliances will appear in a number of Crazy Eddie stores in the near future.

Selling white goods will help Crazy Eddie compete better against other New York Metropolitan Area retailers that have been selling both brown and white goods for some time, namely, Newmark & Lewis, Trader Horn and Tops Appliance.

The company plans to follow its "insannnne" pricing policy in which it pledges to beat any competitor's advertised price on the sale of major appliances, a Crazy Eddie spokesman said.

But the move raises questions about the future direction of Crazy Eddie. The large

(Continued on page 89)

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MS JEANNE LONG
CONGRESSIONAL INFOR SVC 1FA
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BETHESDA MD 20814

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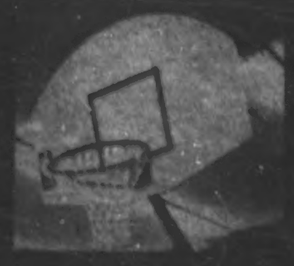

Basics Score Comeback In Sporting Goods Depts.

MARKETWATCH

Target Eyes Pacific Northwest

SEATTLE — Target, which is still digesting 54 former Gemco Stores in California, Nevada and Arizona, has announced plans to push northward into Washington and Oregon with up to 35 units by 1993. In the fall of 1988 nine stores will be opened in Washington and another three will open near Portland, according to Target spokesperson George Hite. Only seven specific locations in Washington were given as late '88 openings: Everett, Linwood, Tacoma, Puyallup, Federal Way, Lakewood and Vancouver.

Thrifty May Expand Sporting Goods Div.

LOS ANGELES — Thrifty Corp. may expand its retail sporting goods division as parent company, Pacific Lighting (PL), announced plans to sell its real estate businesses. Big 5, Michigan Sporting Goods and Gart Bros. are all divisions of Thrifty—which PL acquired last August. Industry observers anticipate that PL's real estate assets could bring $300 million—more if additionally leveraged. A PL spokesman said his firm has made no definite plans about selling the real estate division or how the funds will be used when the sale is complete. "There are opportunities out there that are very attractive" for retail and expansion plans, he said. PL said Thrifty already plans on opening an additional 20 sporting goods stores in 1987. It operates a total of 134 sporting goods outlets: 94 Big 5 stores, 24 Michigan outlets and 16 Gart stores, making Thrifty the third largest sporting goods retailer in the nation.

BJ's to Open 3rd South Fla. Club

POMPANO, Fla. — BJ's Wholesale Club announced plans to open its third membership warehouse club in South Florida. The newest BJ's is slated to open here in mid-July, announced Zayre Corp., its parent. It will join the first South Florida BJ's, in Hialeah Gardens, and another warehouse unit set to open in Miami April 22.

ALCO Invests $4.5M for POS Gear

ABILENE, Kan. — Duckwall-ALCO Stores, a midwestern retail chain with some 160 discount stores in 14 states operating under both the Duckwall and ALCO names, is spending $4.5 million to install point-of-sale terminals, software and host communications in 90 of its ALCO stores. The software will provide stores with layaway tracking, account verification, corporate communication and extensive reporting capabilities. A spokesman for the systems vendor, Hugin Sweda, Pine Brook, N.J., said 400 hand-held scanners will be installed in the stores, which are expanding merchandise lines to include food.

NACSM to Select New President

GREENWICH, Conn. — The National Association of Catalog/Showroom Merchandisers' board of directors at its April 6 meeeting in Chicago is expected to select a successor to Marion Baker, who resigned as association president earlier this month. The board meeting will precede the NACSM annual meeting and banquet at the Ambassador West Hotel. Meanwhile, Betty Broadus is representing NACSM at its headquarters here, including handling banquet ticket orders at $50 each.

MGM/UA Adopts UPC for Videocassettes

NEW YORK — MGM/UA Home Video has adopted UPC as the product marking system for its VHS and Beta videocassettes and Laserdiscs. In its UPC code, the first five numbers identify MGM/UA as the vendor, while the next four digits are the catalog number for the title of the videocassette or laserdisc. The final, fifth digit designates VHS (3), Beta (5) or Laserdisc (6).

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Price Savers Steps Up Growth In South California Market

By Pamela Krein

SALT LAKE CITY — Price Savers is taking advantage of the growing consumer acceptance of membership warehouses by expanding its presence in California.

Set to open in May will be the second Los Angeles-area warehouse for Price Savers, and the first of three to open this year in the region. Price Savers announced plans to open eight to 10 new warehouses in the Southern California market in the next two years.

The chain operates six warehouses, located in Anchorage, Salt Lake City, Seattle and metro Los Angeles, and plans to double that total to 12 by the end of 1987.

Kevin Dunn, marketing director for Price Savers, said the company is looking to take advantage of the popularity of warehouse outlets, particularly in areas where other warehouse units—typically Price Clubs—already operate.

Price Savers is not looking to "butt heads [with Price Club], rather share the markets," Dunn said. Price Savers is keeping a five-mile radius distance from Price Club outlets, he added.

Dunn acknowledged that the company's warehouses follow the Price Club format, because "we're really patterned quite similar to them." At least 60% of Price Savers' membership is derived from businesses, with the rest coming from government and bank employees.

Cost-consciousness keeps Price Savers' prices low on such items as appliances, food, household goods, automotive and electronic equipment, office supplies, beverages and some clothing, Dunn said.

A subsidiary of The Kroger Co., Price Savers is relying on its parent company for much of the capital investment for the expansion. Kroger is "really behind us," since Price Savers has been able to show "an ability to control expenses," he said. Management and merchandising decisions come from Price Savers' head office in Salt Lake City, Dunn said, through company president Thomas Grimm.

Reflects Industry Changes

DSN Updates Discount Stock Index

NEW YORK — *Discount Store News* has expanded and updated its Discount Industry Stock Analysis Table to reflect changes in the industry.

To provide for expanded coverage and more timely data, these eight companies have been added to the stock report: Fred Meyer, the Portland, Ore., discount chain that went public late last year; Costco, the membership warehouse club chain; Best Buy and Fretter, two consumer electronics specialty chains; Brendle's, the catalog showroom company, and teleshopping firms QVC, Entertainment Marketing and Jones Intercable.

Dropped from the list were Gordon Jewelry, which sold its catalog showroom operation, and Lucky Stores, which in recent months sold its Gemco discount stores and Yellow Front general merchandise divisions.

Four of the new additions posted gains in the two weeks ended March 13. Costco closed up 7.3% to $14.63 per share; Brendle's was up 3.5% to $14.75; Entertainment Marketing rose 5.4% to $14.75, and Jones Intercable advanced 5% to $15.50 per share.

For the full listing of discounter stocks and the *DSN* Index, see page 87.

DSN Names Hisey Associate Editor

NEW YORK — *Discount Store News* has named Peter Hisey to the position of associate editor, announced Tony Lisanti, executive editor.

The addition of Hisey, who previously served as managing editor of *Wallcoverings Magazine*, a monthly trade publication, brings to seven the number of full-time staff editors covering discount retailing out of *DSN's* New York office. *DSN* also operates editorial bureaus in Washington, D.C., and Los Angeles.

Hisey, who earned a BA in political science from the University of Connecticut in 1978, reports to *DSN* managing editor Donald Longo.

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN is offering a $100 prize to the person who correctly answers the most questions during the year. Please type the answers along with your name, address, and telephone number, on standard letterhead, and mail to: Quiz Editor - 3/30, Discount Store News, 425 Park Ave., New York, N.Y. 10022. Winners and answers will be announced in a future issue. Answers to questions below appear somewhere in this issue.

25 Years Ago This Week:

I Have Seen The Future and It's One of These Guys: Target planned to open its third store in the Minneapolis suburb of Crystal; W.T. Grant entered the discount business.

Gee Mr. Science: A New York firm introduced a "talking" shopping cart which set off a foghorn if a customer tried to remove it from a parking lot.

1. What national discounter announced the opening of its second store March 29, 1962?
a)K mart;
b)Wal-Mart;
c)Zayre.

20 Years Ago This Week:

Those Were the Days: Heck's set records in sales and earnings, netting $971,018 on sales of $22.6 million.

Santa Claus Stock Plummets: The Toy Manufacturers of America announced that discounters were now ranked first in U.S. toy sales.

2. What chain, parent of a major discounter, topped $1 billion in sales in 1966?
a)K mart;
b)Kresge;
c)Mammoth Mart.

10 Years Ago This Week:

Open and Shut: Ames announced three closings, but expected a net gain of five units for the year; Mammoth Mart opened five stores on its way back from Chapter 11.

3. What pioneer discounter teetered on the edge of extinction after record losses in '76?
a)W.R. Grace;
b)Korvette;
c)Wal-Mart.

5 Years Ago This Week:

Oh, Really?: A study concluded that baby boomers were most likely to shop discount stores, with mass merchandisers second.

4. What Southeast chain opened 14 newly acquired stores in March 1982.
a)Sky City;
b)Heck's;
c)Rose's.

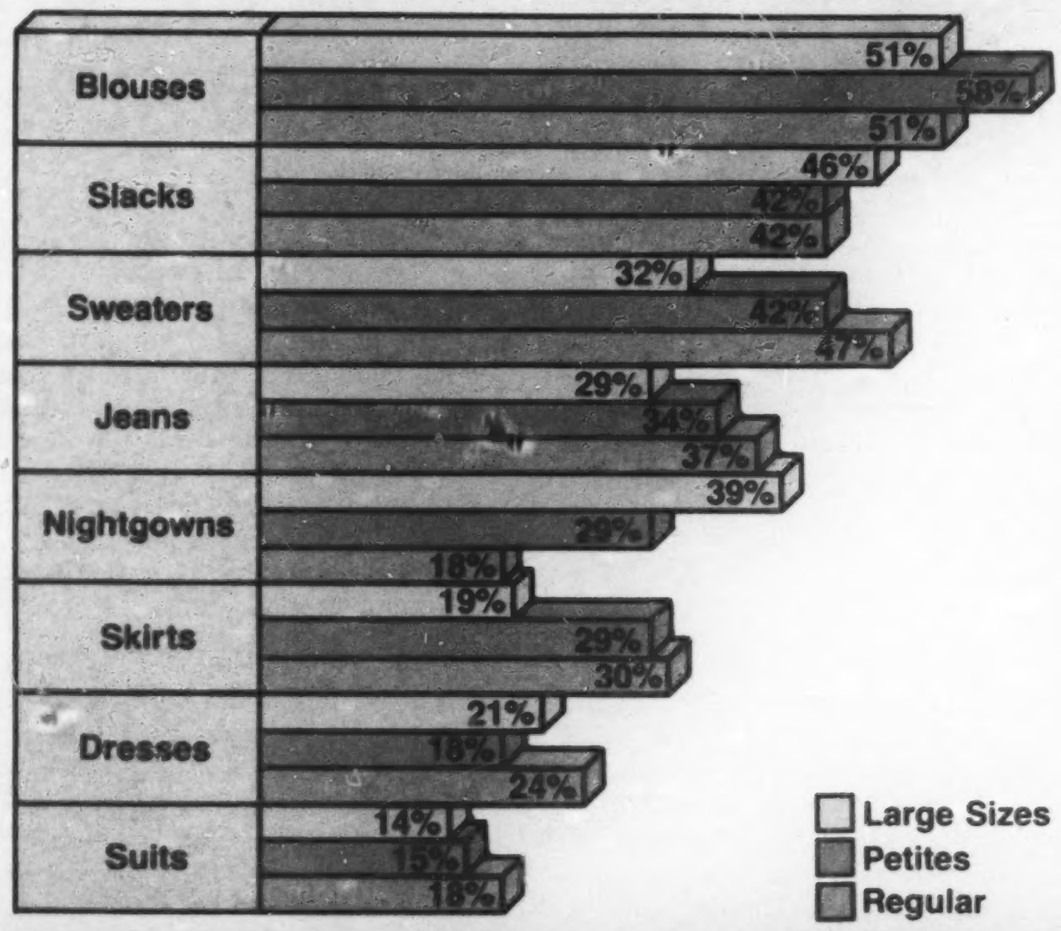
One Year Ago This Week:

5. What discount chain was eyeing expansion into the Northern California market?
a) Toys "R" Us;
b) Target;
c) Gemco.

Needs of Large, Petite Ladies Differ from 'Top to Bottom'

Women Who Find These Items Very Important to Their Wardrobe

Large-size women value nightgowns more than smaller counterparts.

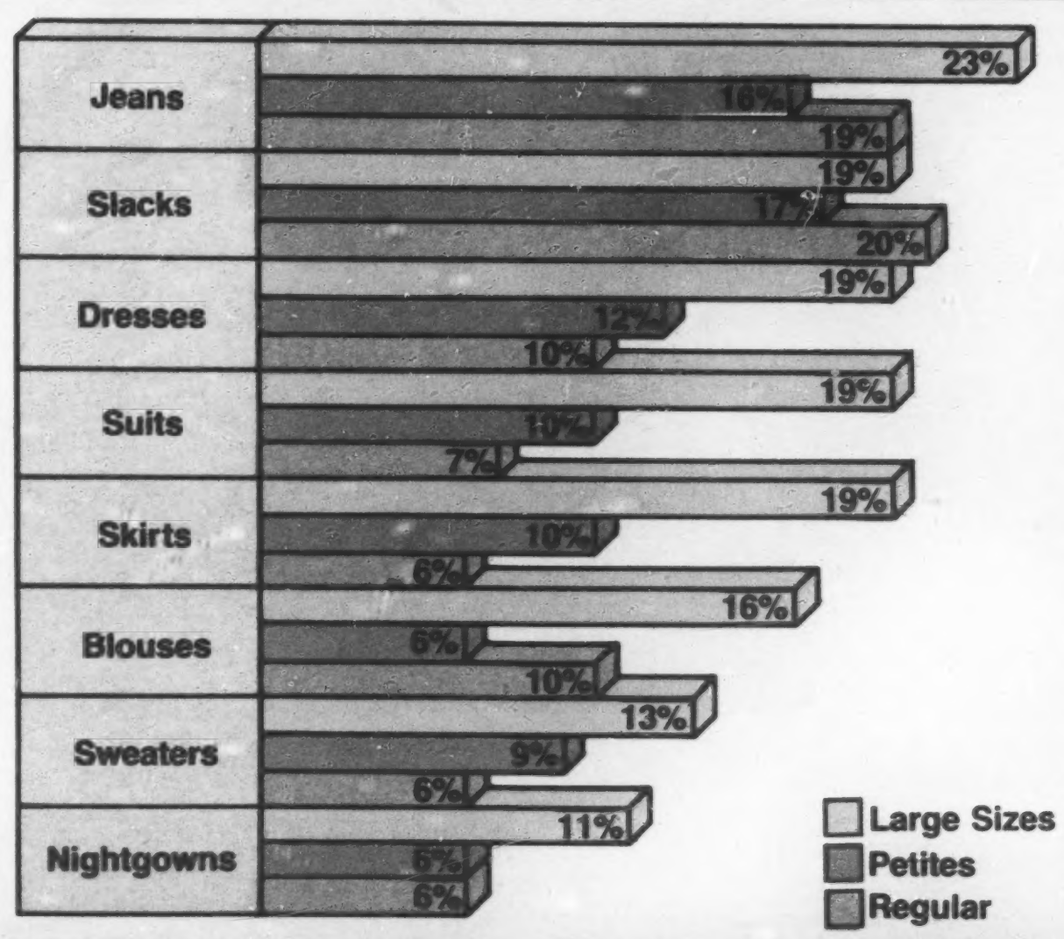


Percentages exceed 100 due to multiple responses.

Source: Leo J. Shapiro & Associates; Discount Store News; Feb. 1987

Women Who Find These Items Very Difficult to Buy

Large-size women mention blouses and sweaters as more difficult to buy more often than petites and regular size women.



Percentages exceed 100 due to multiple responses.

Source: Leo J. Shapiro & Associates; Discount Store News; Feb. 1987

Where Women Go to Buy Jeans

Discounters rival department and specialty stores for top large-size share.

	Large Sizes	Petites	Regular
Department Store	17%	24%	28%
Discount Store	16	7	12
Sears, Ward, Penney	9	15	11
Women's Apparel Store	15	12	5
Off-Price Apparel Store	1	5	2
Other	4	7	14
Not Answering	38	30	28

Source: Leo J. Shapiro & Associates; Discount Store News; Feb. 1987

Where Women Go to Shop for Slacks

Fewer special-size women cite department stores as a source for slacks.

	Large Sizes	Petites	Regular
Department Store	25%	28%	41%
Sears, Ward, Penney	15	21	15
Women's Apparel Store	21	17	11
Discount Store	10	10	6
Off-Price Apparel Store	1	5	2
Other	4	2	4
Not Answering	24	17	21

Source: Leo J. Shapiro & Associates; Discount Store News; Feb. 1987

Nationwide DSN Report

Large-size and petite women put their wardrobes together differently, found a *Discount Store News*-commissioned shopper survey.

For example, large-size women see nightgowns as much more important to their wardrobes than other women. Those women also place much less importance on skirts.

Petite women, on the other hand, put more emphasis on blouses and a little less on dresses than do either regular or large-size women.

A recent consumer poll conducted for *DSN* by Leo J. Shapiro & Associates in Chicago gauged the apparel shopping habits and attitudes of women, focusing on the special qualities of both large-size and petite women.

Nationally, the telephone survey conducted earlier this year found that more than half of all women are either large-size (size 16 and up) or petite (5-ft., 4-in. and shorter). Of the 63% of those polled who qualify as special-size women, 27% wore large sizes and 36% fit the petite requirements.

Large-size women have a harder time finding tops that fit them than petite or regular size women. Petite women share a concern with jeans, slacks and dresses with the larger woman. But fit on all items of apparel seems to be a problem for large-size women more often than for petites.

It also appears that discount stores have a greater share of the large-size business than of petites, which is not surprising, since many chains still do not have petite departments.

In fact, fewer petites are used to their own sections in any store. Almost 75% of the large-size women said they shop in special departments of stores with regular sizes, compared to only about half of the petites.

Only about a third, 32% of the petite women had ever shopped in a special-size store. But 59% of the large-size women had.

Only 38% of large-size women said they mainly shop at special-size stores. That was true of just 13% of the petite ladies.

There is a contradiction in the way special-size women approach costs of clothing. The survey revealed that 55% of all women who have shopped in a special-size department or specialty store think that special-size clothing costs more. (60% of large-size women, 49% of petites and 52% of regular women think so.)

However, in most specific cases, petite and large-size women actually planned to pay less than their regular size peers for clothing.

Women who had visited special-

(Continued on page 28)

Where Women Go to Shop for Sweaters

Discounters rank fourth as the most-likely store to purchase sweaters among all women.

	Large Sizes	Petites	Regular
Department Store	28%	29%	41%
Women's Apparel Store	17	16	9
Sears, Ward, Penney	15	16	13
Discount Store	13	12	9
Off-Price Apparel Store	2	5	3
Other	2	5	6
Not Answering	23	17	19

Source: Leo J. Shapiro & Associates; Discount Store News; Feb. 1987

Where Women Go to Shop for Blouses

Discounters are mentioned more often by large-size women as the store to shop for blouses.

	Large Sizes	Petites	Regular
Department Store	35%	35%	39%
Women's Apparel Store	17	20	14
Sears, Ward, Penney	16	19	16
Discounters	15	7	9
Off-Pricer Apparel Store	3	4	4
Other	4	5	3
Not Answering	10	10	15

Source: Leo J. Shapiro & Associates; Discount Store News; Feb. 1987

Ladies' Special-Sizes Boutique to Replace Domestics at Ross

DON'T PAY DEPARTMENT STORE PRICES
LARGE SIZE DRESSES
SAVE 41%-44%
Save on a great selection of the latest and loveliest large size dresses. Choose from one or two-piece styles for smart days or elegant evening. In polyester and polyester blends. Sizes 16W-24W.
$39-$59
COMPARE AT $70-$100
The Smart Buck Stops Here
ROSS
DRESS FOR LESS

Ross Stores is already advertising large-size dresses in the Seattle market. By fall the chain will offer large and petite sizes in the majority of 251 stores.

NEW YORK — Ross Stores plans to have full-fledged ladies' special-size departments up and running in 80% of its stores by Aug. 1, according to Bernard Tulman, a New York-based buyer for the California off-price chain.

Space that had previously been devoted to home textiles will be redesigned as a boutique catering to petites and large-size women. Special signing and strictly fashion-type fixtures such as four-ways and rounders are planned. That way, Tulman said, the chain can make a dramatic statement to the large or small woman.

Moderate Price Points

The sections will average from 2,500 to 3,000 sq. ft. The "full-scale" departments will include tops, bottoms, dresses, outerwear, coordinates, hosiery and lingerie. "We want to give them a mirror of the missy assortment," said Tulman. Merchandise should be mainfloor or second floor department store brands with moderate price points.

Ross's major competitors, such as Marshalls, already carry petite and large-size merchandise, but not in a separate shop that spans the apparel categories, he said. "We're catering to a special-size customer who hasn't found what she wants in Marshalls.

"We see special sizes—petites and large sizes—as a growth area," said Tulman, a former missy buyer who now buys both size ranges.

"I've just been out in the market and what I see in large sizes are very exciting," Tulman added.

Petites hold untapped potential for the 121-unit chain because of the number of stores concentrated on the West Coast and in the Sunbelt, where Oriental and Mexican women are a big portion of the customer base, he added. In Florida, where the chain also operates, Cuban women are often petites. Women who meet the criteria (5-ft., 4-in. and shorter) may have already been buying junior sizes, but will be better served in petites, Tulman said.

The litmus test for the new boutique was performed in six Ross stores in Seattle starting last August. Sections of those stores were leased to Virginia Specialty Stores, which also operates freestanding upscale and off-price apparel stores for special-size women.

> ***'We're catering to a special-size customer who hasn't found what she wants in Marshalls.'***
>
> —Bernard Tulman, buyer, Ross Stores

The test convinced Ross of the viability of the two categories. In the future, Ross will operate the departments itself.

More conviction and expertise in the petite portion of the business may come via the off-pricer's major investor, U.S. Venture Partners, which is headed by Stuart Moldaw, who is also chairman and chief executive officer of Ross. Venture Partners is currently launching a chain of specialty stores called Karen Austin.

That chain is being run by former executives of Macy's and Bambergers to be an upscale petites chain with a career slant. Tulman equated the positioning of the 3,000 to 3,500 Karen Austin units to Alcott & Andrews ladies' apparel stores, which he said combine branded goods with private labels.

Wardrobe Problems Differ Among Large, Small Women

(Continued from page 26)

size sections or shops were asked how much they expect to pay for eight items: skirts, dresses, jeans, slacks, suits, sweaters, blouses and nightgowns. In every case the average price quoted by the large-size women was lower by ($2 to $7) than the average price regular size women expected to pay for the same item.

The biggest gap was in the price they said they expect to pay for slacks: the average price named by large women was $22.18, compared to $29.05 among regular size ladies. The numbers were closest in the expected price of jeans; the average was $23.03 for larger sizes and $25.79 for regular sizes.

Petite women expected to pay lower retails than regular size ladies in five of eight categories. The average price expected was about the same for three items: jeans ($26), dresses ($51) and nightgowns ($18). Petite women planned to pay as much as $4 less for suits and as little as $1 less for a blouse.

A total of 610 women were interviewed for the survey. A national survey was supplemented with a regional search for more special-size consumers. Of those polled, large-size women were older, with an average age of 51, compared to age 45 among petites and age 40 among regular size women. On income, the lowest average was among large-size women with the highest among regular size women.

Discounters are second among large-size women as the most likely store to shop for nightgowns.

	Large Sizes	Petites	Regular
Department Store	32%	30%	34%
Sears, Ward, Penney	15	24	18
Discount Store	18	11	11
Woman's Apparel Store	14	8	5
Off-Price Apparel Store	2	3	2
Other	4	5	6
Not Answering	15	19	24

Women's Special Sizes Provide Opportunity to Increase Sales

(Continued from page 25)

In the marketplace, the looks keep getting more contemporary, said Kathy Foley, who has been merchandise manager since K mart broke out a large-size division 15 months ago. "We took the successes of the missy department more than the looks from the junior area," she said, explaining the development of her business.

The Jordache coordinates, all priced for under $20, help broaden the appeal among the 20- to 30-year-old large-size woman, she said. The first collection hit the stores late in February with ads breaking in March in national women's magazines. A second collection will be in the stores for the holiday season, she said.

Zayre is also planning to invest more of its selling floor and inventory in the large-size category, said Gully. The business is on the upswing and the footage is not consistent with the volume he reports. His plans include developing the assortments with a basic fleece program in addition to the novelty fleece already offered. He is also considering creating a shop instead of breaking up the large-size merchandise in departments.

At Hills, "the end of the rack" placement has worked in large sizes, according to merchandise manager Erma Treff. Large-size sweaters or blouses are put on the end of the rack beside regular sizes. "When I came here, the first thing I said was 'I want a department.' But in some stores I do 50% and in others 20%, in each individual store I tend to get all the space I need this way," she said.

Treff thinks growth in the large-size area will continue. America is getting fatter, less obsessed with dieting and older, she pointed out. Dollar stores with their lower income, rural clientele also enjoy a healthy large-size ladies' wear business. In some Dollar General Stores 40% of the ready-to-wear business comes from large sizes and in other stores can go up to as much as 50%, according to Cecilia Yip, ladies' merchandise manager for the Scottsville, Ky., chain.

Although prices are lower and a large percentage of the goods are closeouts, Yip has done what most retailers have. She has infused more updated styling and color in the large-size selection.

At Family Dollar in Charlotte, N.C., a large-size woman can find jeans, sweaters, intimate apparel, hosiery, shorts, swimsuits and even wide width shoes, reports Harry Levine, vp of merchandising. At his chain, the large-size business, now 15% to 20% of ladies' wear sales, hasn't yet reached its potential, he said.

Product Liability Insurance Hobbles Sporting Goods Growth

WASHINGTON — A record-breaking year for U.S. sporting goods manufacturers was dampened by soaring liability insurance costs, U.S. Commerce Department economists said in a report.

Industry shipments of athletic equipment rose 2.6% in 1986, reaching a record value of nearly $4 billion, researchers said. At the same time, the product liability threat was driving some firms out of business, forcing others to drop some product lines and pushing up liability insurance costs throughout the industry.

"Industry sources indicated that insurance premiums and legal fees may be as high as 15% of sales in certain sporting goods product lines, [such as football helmets]," researchers said. Other manufacturers of equipment such as archery, scuba diving and gymnastics gear, are paying as much as 3% to 4% of sales for liability insurance, "and the level of coverage provided by the insurance is inadequate," they said.

Economists expect "significant growth" in sporting goods consumption by Americans to continue in 1987. They predicted that sporting goods shipments will increase 3%, spurred by more "disposable income" in U.S. consumer pockets. Moreover, domestic sporting goods will be more competitive with imported equipment "as the full effects of the dollar devaluation are felt," they said.

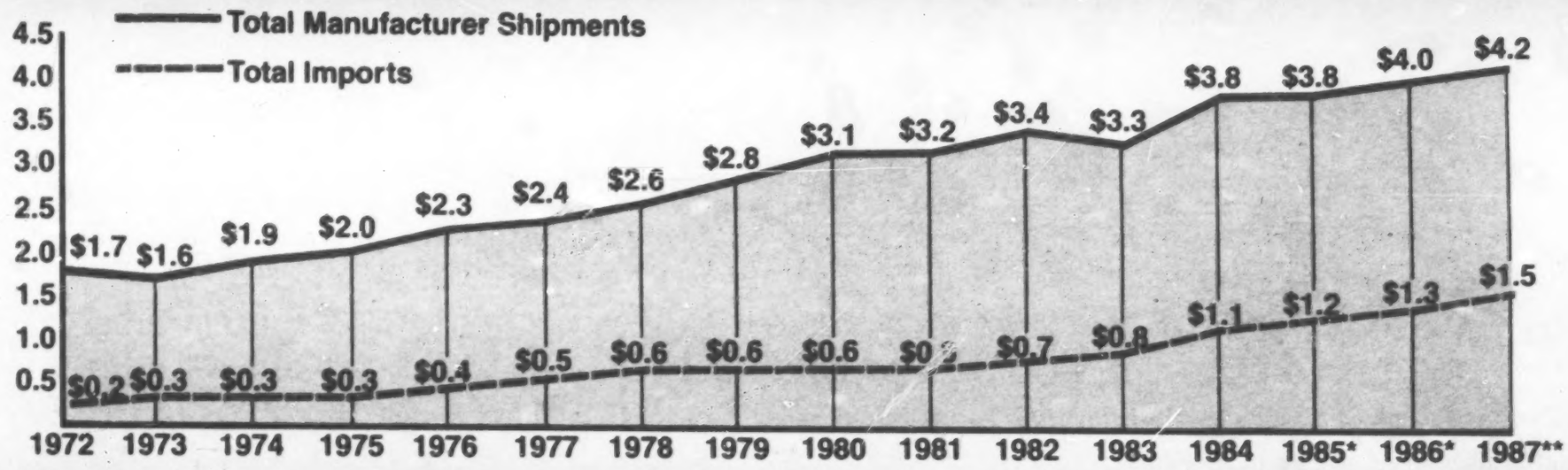
U.S. industry shipments also are projected to continue growing at 3% per year through 1991.

During the next five years, the 25- to 44-year-old age group will increase more than 10%, twice the growth predicted for the overall population, the Commerce report said. That demographic change, combined with economic and income changes, is expected to "boost demand for sporting goods."

Whether product liability costs will continue to consume industry profits could rest in the hands of Congress. Bills addressing liability concerns are expected to be reintroduced in the Senate and House this year, but economists warned that there is a high degree of uncertainty that Congress will take legislative action in the near future.

Sporting Goods: Value of Manufacturers Shipments & Imports, 1972-1987

(In Billions)



*Estimate
**Forecast

Source: U.S. Department of Commerce

Whether product liability costs will continue to consume industry profits could rest in the hands of Congress. Bills addressing liability concerns are expected to be reintroduced in the Senate and House this year, but economists warned there is a high degree of uncertainty that Congress will soon take legislative action.

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Shares in the World Sporting Goods Market, 1975-1985

Year	U.S.	Taiwan	South Korea	Japan	West Germany
1975	17.4%	6.5%	2.7%	10.9%	5.1%
1976	14.1	8.6	3.9	12.6	5.0
1977	12.1	8.9	5.7	13.5	5.4
1978	13.2	11.1	5.6	10.3	5.1
1979	13.4	11.2	5.7	8.5	5.2
1980	12.6	17.3	6.0	8.0	5.2
1981	14.4	14.9	7.0	8.9	5.4
1982	14.5	16.1	7.2	8.6	5.4
1983	13.0	19.7	8.1	8.5	5.2
1984	10.0	24.4	9.4	8.6	4.9
1985	8.6	25.8	9.0	10.6	4.9

Source: U.S. Department of Commerce

Offshore Producers Up Market Share Of International Sporting Goods Sales

NORTH PALM BEACH, Fla. — U.S. sporting goods manufacturers continue to watch deterioration of their share of the worldwide market as offshore producers dominate the American market as well as international sales. The Sporting Goods Manufacturers Association estimates that the trade deficit in sporting goods "should surpass $7.5 billion" in 1987.

Howard J. Bruns, president, SGMA, noted that offshore manufacturing now has 55% of the domestic market and that the trade deficit "will not improve simply because we have a weaker dollar."

Internationally, U.S. share of the sporting goods market was cut in half in the 10 years ending in 1985.

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Wal-Mart Reports Robust Profits Amid Mixed Chain Results

(Continued from page 1)
ings records. Bentonville, Ark.-based Wal-Mart's earnings shot up 37% over 1985 figures to $450.1 million on sales of $11.9 billion, an increase of 41%. The chain attributed the growth to unit expansion (store count grew by 121 to 980), along with a combination of customer service, stocking and pricing improvements.

K mart, the Troy, Mich., chain, scored an earnings increase on an 8% rise in sales for 1986 (see story, page 1).

At the other hand, Zayre, based in Framingham, Mass., saw profits dip slightly more than 2% on sales increases totaling $5.3 billion. Jack Seibald, a Salomon Bros. analyst, said Zayre's "discount stores really took a hit" in 1986. "There was a substantial deterioration in profitability and the fourth quarter was light," he said, adding that a $7.1 million pretax gain on real estate in the fourth quarter was credited to discount department store income, "significantly" improving earnings.

Elimination of the $7.1 million credit lowers segment income for the quarter to $55 million from $67.4 million in the same span of 1985, while total 1985 discount segment income dropped to $122.8 million from $129.9 million. The lower figure is down 13.3%.

The company said its wholesale division, which includes the HomeClub operation acquired a year ago, lost $11.9 million. Drexel Burnham analyst Jeff Edelman said he thinks both HomeClub and the more established BJ's shared in the losses.

Boston analyst Harry Wells, from Adams Harkness, said the loss is significant because the "segment is clearly Zayre's most important growth vehicle over the next five years."

"Excluding BJ's and HomeClub, the company was a 15% grower, where it used to be a 20% grower," Salomon's Seibald summed up. "It needs the warehouse segment for future growth, because its discount segment is mature."

Dayton-Hudson reported mixed segment results, with its Target division gaining solidly, while its two smaller chains, Mervyn's and Lechmere, declined in profitability, Mervyn's by 35%. A Target spokesman said the company's profits were due in part to a lower expense rate, but he noted that a staff cut in the fourth quarter came too late in the year to have more than marginal impact.

May's discount segment, which consists of Caldor and Venture, reported earnings of $155 million on sales of $2.54 billion, a 4.7% rise in profits over 1985. Discount sales rose 8.5%, while 11 new locations (seven for Caldor and four at Venture) were added, bringing discount total to 180. The company plans to open three Caldor and five Venture stores in fiscal 1987.

Shearson Lehman analyst Stacy Ruchlamer noted that "Venture did extremely well, but Caldor was disappointing. Earnings were down for the year, but that should turn around in 1987 and 1988."

Ruchlamer added that Northeastern discounters had "tough, tough times" due to "an awful lot of the same type stores" competing for the same customer, which led to price wars. "I think we'll see a slowing in the rate of growth and a shift from being promotional to being profit driven," she said.

Arnold Dunn, treasurer for Secaucus, N.J.-based Jamesway, reported that profits increased 48% over 1985 to $9.25 million on $523.1 million in sales, but added "1985 was not a very good year." The improved performance stemmed from a 17% sales increase, improved margin, declining SG&A expenses (including better control over payroll and automation of several functions) and the performance of the company's 10 new stores, Dunn said. Hard goods outperformed soft goods in dollars, he added.

Rose's Stores posted a pretax profit gain of 35.4% over 1985, earning $43.59 on sales of $1.19 billion after a "record" 1985 in which the company eclipsed $1 billion in sales and earned $34 million. Rose's opened 16 units in 1986 and plans to add 25 in '87, all within a 300-mile radius of its Henderson, N.C., headquarters.

Major Discounters Report Strong Sales, Earnings Gains in '86
($ in Millions)

Chain	'86 Sales	'85 Sales	% Change	'86 Net Earnings	'85 Net Earnings	% Change	Comparable Store Sales % Change
K mart[1]	$23,800	$22,200	7.2%	570	472	20.8%	5.5%
Wal-Mart	11,900	8,400	41.0	450	327	37	NA
Zayre*	5,300	4,000	32.0	222[2]	227[2]	−2.2	NA
Target	4,300	3,900	10.0	311[2]	279[2]	12	5.0
May (Caldor/ Venture only)	2,540	2,340	8.5	155	148	4.7	NA
Rose's	1,190	1,090	9.1	44	34	29	8.8
Jamesway	612	523	17.0	12	9	31	8.0

*53-week period
[1]Results restated to reflect continuing operations only
[2]Operating Income
NA-not available
Source: Discount Store News research; company reports

Price to Acquire TSS-Seedman's; Grabs New York Foothold

(Continued from page 1)
tion supplied by both Price and TSS-Seedman's. Those "future events" are expected to include a more detailed study of the private company's financial results.

Price Company vice president Mitchell Lynn told *DSN* that earlier plans to open Price's first New York location this summer in Smithtown, Long Island, will proceed on schedule.

Mitchell would not comment on what will happen to the acquired stores that do not become Price Clubs nor on whether the current TSS-Seedman's headquarters staff will be retained. Currently, all TSS stores will continue to operate, he said.

The proposed conversions would greatly accelerate Price Club's expansion pace in 1987. In recent years, the company opened two units in 1982, four in 1983, eight in 1984, four in 1985 and three in 1986. Plans for 1987 included the opening of nine new warehouses and the relocation of three existing facilities.

Contacted at his Brooklyn office, where the venerable executive reportedly has remained extremely active in the daily operations of the company, Seedman declined to explain why he decided to sell the chain to Price after past flirtations with a number of prospective buyers, including Associated Dry Goods—then the parent of Caldor.

In 1983, the company filed a preliminary prospectus for a public offering to raise approximately $30 million. Seedman subsequently withdrew the offer after the stock failed to attract investors at its proposed $17 to $19 price range.

TSS-Seedman's operates 12 full-line department stores in the New York metropolitan area that average about 180,000 sq. ft. in size. The chain also owns four smaller "neighborhood" hard-goods outlets, six 50,000 to 60,000-sq.-ft. discount department stores in Puerto Rico, a chain of women's apparel stores called Finders Keepers, and a wholesale bicycle and auto supplies operation.

Currently, the greatest concentration of Price Clubs is in the super-competitive Southern California market, where 19 of the chain's outlets are located. The average distance between outlets there ranges from 20 to 30 miles.

The New York-area TSS-Seedman's are generally located closer together in working class neighborhoods of Brooklyn, The Bronx, Queens and Long Island.

CVN Seeks More Viewers With New Segmented Shows

(Continued from page 3)
in the retail store operation.

The company's direct marketing arm rang up $81 million in sales, a 40% increase from $58 million. Retail store sales, excluding volume from units to be closed, amounted to $52 million, a 9% increase from $48 million (which included sales from the units to be discontinued). Wholesale volume of $17 million represented an 88% jump from $9 million.

In CVN's new teleshopping schedule, each day features at least one segmented show, usually aired in that day's prime time.

The length of the segmented shows varies, but each includes product demonstrations of the goods for sale.

The CVN Toy Shop, for example, runs Saturday from 11 a.m. to noon, while Worksavers, which offers office furniture, power tools, small appliances and gardening equipment, is broadcast Wednesday from 12:30 p.m. to 1 p.m. and 6 p.m. to 6:30 p.m.

Other shows include:

- CVN Gold Rush, a mix of gold jewelry, watches and gemstone goods, which airs for six hours on Sunday;
- Super Saves, which features "specials priced to sell," and is broadcast twice on Monday for a total of three hours;
- TGIF Sale, offering end-of-the-week specials, unusual buys and three-minute offers for two hours on Friday;
- Fashions Plus, featuring apparel during two one-hour shows on Wednesday;
- High Tech Toys and Electronics, presenting "toys for adults" that include consumer electronic items on Tuesdays in two one-hour shows;
- Silversmith Shop sells silver goods at two separate times totaling two hours on Tuesday.

Quiz Answers:
1. a; 2. b; 3) b; 4. b; 5) b.

K mart Expects $26B Sales in 1987

(Continued from page 1)
K mart's current retail stable rose by 20.8% to $570.3 million, which reflects the companies' overhauled merchandising programs and expense controls, Fauber said.

He tagged 1986 as a "a major turning point" for the corporation, when its remodeled discount stores, newly acquired specialty operations and centralized POS systems started to pay off. In the K mart discount store division, same-store sales rose 5.5% for the year. Fauber noted K mart's $1 billion in pretax earnings from continuing operations as a milestone.

Last year the chain closed its Designer Depot off-price apparel chain and sold its two cafeteria operations.

Evidently, the corporation is not against continuing to sharpen its focus on the discount and specialty businesses. The company recently listened to F. W. Woolworth, which was interested in purchasing some of its Kresge stores. Those discussions, however, ended without an agreement.

Specialty retailing will "significantly increase its contribution to company profits and sales," Fauber said. The specialty divisions, which accounted for 10.5% of sales last year, are expected to contribute 18% by 1990.

Specialty store sales (continuing only) for 1986 totaled $2.5 billion in 1986, up 31.6% from the previous year. K mart's five-year plan states that most of the firm's store growth will be in its specialty divisions.

D-H Begins Television Retailing Test

(Continued from page 3)
like discounters Target and Lechmere or apparel specialist Mervyn's are not involved.

PrimeNet is handling order processing and fulfillment, with goods shipped from DHDSC's Detroit and Minneapolis-area warehouses.

The program is USTV's first national production and syndication effort. USTV is a limited partnership of several TV firms and individuals, including the five-station Hubbard Broadcasting networks.

D-H Direct is not playing up its Dayton's and Hudson's parentage, although Dayton's and Hudson's credit cards, and bank cards, are accepted.

The show is being broadcast in only three markets where DHDSC has units: the Twin Cities, home to Dayton's, and Grand Rapids and Kalamazoo, Mich., Hudson markets.

While USTV selected the TV stations and markets, the show's coverage will provide several benefits to DHDSC. It will enable the firm to measure the show's impact on store sales of the same items and also compare results in markets where it has stores against areas where it doesn't. Sales in these non-Dayton's and non-Hudson's markets could allow DHDSC (and PrimeNet) to develop mailing lists and other information for direct marketing in those areas as adjuncts to D-H's teleshopping or in case the video retailing show is cancelled after its 13-week test. Stations pay for the program through a barter arrangement in which seven minutes for commercials are available.

4/15/87 C5150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Groton mayor Eric Robba with (from left) store manager Stephen Salva, chairman Harold Frank and executive vp George Granoff.

K mart Tunes in Teleshopping; Supplies Goods for CDN Show

By Arthur Markowitz

TROY, Mich. — K mart is scheduled to enter the TV home shopping field this week when eight-month-old teleshopper Consumer Discount Network (CDN) begins to sell merchandise exclusively supplied by the discounting giant.

The discounter won't provide CDN with merchandise sold in K marts, but rather with products found in other retail stores. The goods will be mainly continuity items, not the closeouts and liquidation items found on other teleshopping shows, said Darrel Schmidt, K mart's director of special projects, who is heading up the teleshopping effort.

Selling non-K mart merchandise avoids the danger that the teleshopping will cut into discount store sales. Video retailing becomes another merchandising operation in K mart's marketing conglomerate that also includes home center, drug and bookstore operations.

The discounter and CDN will meet regularly to review merchandise, its suitability for video retailing and to determine the price to be

(Continued on page 52)

K mart Sells Kresge, Jupiter Units

TROY, Mich. — K mart has agreed to sell 76 of its U.S. Kresge and Jupiter stores to McCrory Corp., the 1,250-unit variety store chain. Details and purchase price were still being determined at presstime, but the companies did say the acquired stores will be renamed McCrory 5 & 10. K mart is expected to operate the units, which are spread over 21 states, until early June.

McCrory chairman Stephen Pistner said the acquired stores will establish the chain's presence in the Detroit market, and enhance its position in other areas. K mart chairman Bernard Fauber said the stores were profitable but did not "fit into our corporate growth plans and asset deployment program." K mart is focusing its growth on its discount and specialty businesses. Last month, K mart entertained an offer from F. W. Woolworth for some Kresge stores but failed to reach an agreement.

Bradlees Opens Three Stores Despite Cost Cutting Efforts

By Peter Hisey

BRAINTREE, Mass. — Bradlees opened three new stores simultaneously two weeks ago in Groton, Conn., Newark, Del., and Randallstown, Md., bringing to 165 the total number of stores operated by the discounter based here.

The new units reflect Bradlees' continued commitment to upscaling its stores, despite cost-cutting measures instituted last month (see *DSN*, March 16, page 1) by its parent, Stop & Shop Company, aimed at buttressing the discounter's profitability.

Stop & Shop decided to eliminate 170 headquarters

(Continued on page 51)

Ward Shifts Focus to CE, Specialization

By Pamela Krein

OCEANSIDE, Calif.— Montgomery Ward opened its first freestanding electronics and appliance center here last month, competing directly against entrenched consumer electronics specialty chains like The Federated Group and Silo.

Under the name Focus Montgomery Wards, the Chicago-based company has realigned its store operations into five divisions, whereby each area can operate on its own as a freestanding outlet or work in combination with others to create "stores within a store."

In addition to electronics and appliances, the company is also specializing in apparel, home furnishings, automotives and seasonal products, all areas of the full line general merchandise store that conceivably could be spun off as specialty chains.

A spokesman for Ward said the retailer chose the electronics and appliance center for its first freestanding venture because it is the company's strongest division. This specialization by Ward represents its effort to become a series of discount stores, said Vic Sholis, national merchandise manager for electronics.

The first specialty store was opened in Oceanside because

(Continued on page 51)

Montgomery Ward's specialty store startup brings the retailer into direct competition with CE specialty chains. (DSN photo)

'Housewars' Declared

NHMA, Interface Flap Embroils Discounters

By Mary Ellen Kelly
Nationwide DSN Report

The tug of war between the National Housewares Manufacturers Association (NHMA) and The Interface Group has roped the discount store industry into the show controversy.

Days after the NHMA announced it will return to a two-show a year schedule in 1988—with a second show whose timing threatens the existence of The Interface Group's HouseWorld Expo—Interface said it will honor three discount industry leaders during its premiere 1987 show.

Additionally, the NHMA has decided to alter its time-honored exhibitor seniority format, as part of its strategy to maintain vendor loyalty. Readdressing the sensitive pecking order for show space could tip the scales either for or against the NHMA, industry sources said.

Julian Seeherman, president and ceo of Venture Stores; Malcolm Sherman, chairman of Zayre Corp., and Raymond Zimmerman, chairman of Service Merchandise, will be honored along with Lee Abraham, chairman and ceo of Associated Merchandising Corporation (AMC), during

(Continued on page 52)

McDade Creditors to Vote on Bankruptcy Plan

By Karen Paxton

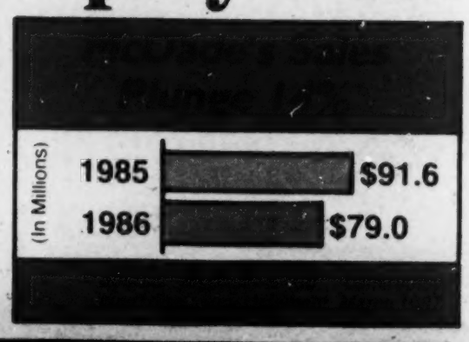
CHICAGO — Creditors of McDade & Company, which operates eight catalog showrooms here, are scheduled to vote on a Chapter 11 reorganization plan by May 7, said Glen Bernfield, counsel for the cataloger chain.

The company was forced into an involuntary Chapter 11 filing last month by its creditors committee, led by Black & Decker, Panasonic and General Electric.

Bernfield said the company could emerge from bankruptcy protection by the end of May, if the creditors approve the plan and the judge decides how much money will be required to fund the plan at the confirmation hearing, scheduled for May 14.

The proposed joint reorganization plan will pay credi-

(Continued on page 52)



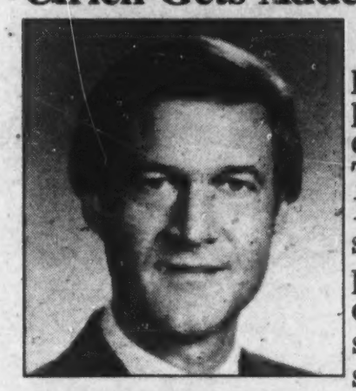
Children's Sleepwear Takes on New Looks

13th Annual Product Movement Audit:

BEST AVAILABLE COPY

MARKETWATCH

Ulrich Gets Added COO Title at Target



MINNEAPOLIS — Target president Robert Ulrich has been promoted to president and chief operating officer. Ulrich, who joined Target as president in December 1984, assumes responsibility for store operations in addition to his previous supervision of merchandising, importing, advertising, sales promotion, merchandise presentation and distribution.

C.O.M.B. to Acquire CVN

MINNEAPOLIS—Closeouter C.O.M.B. plans to complete its transformation into a video retailer by acquiring the 50% interest in teleshopper CVN that it doesn't own and adopting the CVN name. C.O.M.B. will buy the other half from a consortium of 23 cable TV operators, paying them eight million warrants, convertible into stock of the new CVN at $18.125 a share. The cable operators, who would obtain a 44% stake in new CVN if all the warrants are exercised over the next five years, must agree to an undisclosed long-term commitment to carry the service.

Ross's Losses Top $41 Million for 1986

NEWARK, Calif.— Ross Stores reported heavy year-end losses stemming from closing 25 underperforming stores. A resulting $39.4 million non-recurring pre-tax charge increased losses to $41.4 million on sales of $534 million, for the year ended Jan. 31. Without the store closing charge, the company said it would have reported a $6 million pre-tax loss. In fiscal 1985, the off-price chain had registered earnings of $7.1 million on sales of $376 million.

Hafts Raise Stakes in Supermarkets Bid

WASHINGTON — Dart Group, the holding company controlled by former Dart Drug owners Herbert and Robert Haft, has upped the ante in its bid to take over Supermarkets General (SGC), parent of Pathmark supermarkets, Purity Supreme and Rickel Home Centers. The new offer is $45 per share, $42 in cash and $3 in preferred stock, up from $41.75 previously. With 38.5 million shares of SGC stock affected, the price totals $1.73 billion.

Heck's Reports $17.8M Loss for 1986

NITRO, W. Va. — Heck's, which filed for protection under Chapter 11 bankruptcy March 5, lost about $17.8 million on net sales of $566.3 million in 1986, show the unaudited operating results the company released. Fourth quarter losses totaled $7.8 million net on $181.2 million in net sales. Heck's reported that it had been able to "generate positive levels of cash" since the Chapter 11 filing.

K mart, Jamesway Declare Stock Splits

NEW YORK — Troy, Mich.-based K mart Corp. and Secaucus, N.J.-based Jamesway declared stock splits and raised dividends last month. K mart increased its quarterly dividend rate by 18% and declared a 3-for-2 stock split. The dividend has increased to 43.5¢ a share from 37¢ on a pre-split basis, payable June 8 to holders of record May 21. The dividend on post-split shares will be 29¢ a share.

Jamesway increased its quarterly cash dividend rate by 33% and declared a 2-for-1 stock split. The dividend increased to 4¢ a share from 3¢ on the pre-split stock, payable May 23, the same date of stock distribution to holders of record on April 20. Outstanding shares will increase to 13.9 million from 6.9 million.

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Proposed Law Establishes Subsidies For Companies that Employ Seniors

WASHINGTON — Discounters who employ older workers would be eligible to receive hefty Federal tax subsidies under new legislation.

Rep. Silvio O. Conte (R-Mass.) has introduced a bill to provide a Targeted Jobs Tax Credit (TJTC) for employers hiring senior citizens.

Conte told his colleagues that "with the average age of Americans rising, it is imperative that we in Congress create means by which this older class of individuals can be gainfully employed while still enjoying their Golden Years."

His bill would allow employers to take TJTC for each newly-hired worker at least 55 years of age earning not more than $20,000 in gross income per year and not receiving wages subsidized under the Older American Community Service Employment Act.

Under the current TJTC program, discounters can receive $2,400 subsidies (up to 40% of the first year salaries paid to each qualified individual) for each newly-hired worker from targeted groups, such as the handicapped, Vietnam vets, co-operative education students, SSI recipients and poor youths.

In addition, a bill similar to Conte's has been drafted by Rep. Pat Williams (D-Mont.) that would extend TJTC not only to older workers but also to those who lose their jobs from foreign competition.

Even though TJTC provides substantial financial incentives, many employers over the past several years have shied away from active participation in the program.

The main reason is the uncertainty over Congressional reauthorization of the program. For example, TJTC was declared technically dead for most of 1986 before Congress retroactively reauthorized the program as part of last year's tax reform bill. Furthermore, the tax reform provision will make targeted job credit available to employers only through 1988.

To overcome such reluctance, Sen. John Heinz (R-Pa.), a long-time TJTC advocate, has started a campaign on Capitol Hill to encourage employers to participate.

Heinz has unveiled a that would make TJTC permanent at its current level. "It is time to give this proven program genuine permanence."

Kennedy Wage Bill Gains Support

WASHINGTON — The drive for legislation to increase the national minimum wage gained fresh momentum on Capitol Hill when the Congressional Democratic leadership in both chambers joined the chorus calling for steep hikes in the current $3.35 hourly pay floor.

The new legislation, sponsored by Senate Labor and Human Resources Committee chairman Edward M. Kennedy (D-Mass.), would raise the minimum wage rate by $1.30 per hour in three steps beginning January 1 of next year.

Like other proposals already pending in Congress, the new Kennedy bill, S837, ultimately would index the minimum to the average hourly earnings of all private sector workers, a move that virtually would assure automatic annual pay adjustments.

Kennedy's counterpart in the lower chamber, House Education and Labor Committee chairman Augustus Hawkins (D-Calif.), has announced plans to sponsor companion legislation.

With Democratic leaders in both houses actively pressing to raise the Federal minimum wage, prospects for enactment of a bill this year have brightened considerably.

Many industry lobbyists privately concede that passage of some type of wage hike appears inevitable.

The best hope for avoiding a steep minimum wage hike this year may be the threat of a presidential veto.

Although the White House initially took no position on the

(Continued on page 52)

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN is offering a $100 prize to the person who correctly answers the most questions during the year. Please type the answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor - 4/13, Discount Store News, 425 Park Ave., New York, N.Y. 10022. Winners and answers will be announced in a future issue. Answers to questions below appear elsewhere in this issue.

25 Years Ago This Week:

Imagine If It Had Been Slamdancing: Police, firemen and the Better Business Bureau were among the guardians of the public weal who failed to close down Tucson, Ariz.-based Thrift City's Twist-a-thon, which lasted over 38 hours and drew thousands of spectators, many of whom stayed on to shop.

And The FTC lodged charges against Reiser & Co., which called its bob-pins "first-prize." The FTC contended the pins "never won a prize for anything."

1. In 1962 discounters accounted for over 30% ($100 million) of sales in what fast-growing product group, even though traditional retailers were often less expensive?

a) Audio equipment
b) Cameras
c) Color TVs

20 Years Ago This Week:

"And We Sold 18,000 Copies the Next Day": A Korvette ad in The New York Times inadvertently listed Beethoven's Eroica symphony as Erotica.

"Maybe they're on to something big category." Drug Fair, a 91-store chain logged a 5.8% sales jump one month after becoming a discounter.

2. What major discounter planned a blitz of the St. Louis market with six units to be built by mid-1968, as part of its planned 50-store-a-year expansion program?

a) K mart
b) Grandpa Pigeon's
c) Wal-Mart

10 Years Ago This Week

"And Next We're Going to Have a Furniture Toss": Georgia discounter Big K reported success with promotions involving tossing from its roof numbered ping-pong balls and paper plates redeemable for prizes.

"Our Peanut Section Is Thriving Too": Pennsylvania's Gaylords reported that large size apparel was the hottest section in the store, due to "a lot of beer drinkers here."

3. What chain posted a 122% gain in profits two years after emerging from a harrowing Chapter 11 bankruptcy?

a) Wal-Mart
b) Sav-Mart
c) Mammoth Mart

5 Years Ago This Week:

Blame It On Punk Rock: A discount record supplier said, "Joan Jett is selling well along with the new-wave style music, but the latest Kenny Rogers album has been a disappointment."

Except for All those Missing Quarters: A public opinion poll revealed that most Americans think video games have no effect on kids.

4. What major retailer was interested in buying Fedmart in 1982?

a) K mart
b) Dayton Hudson
c) May Department Stores

One Year Ago This Week:

LBO Fever: Top executives of Howard Discount Stores, led by chairman James A. Dismore, were attempting to buy the company from parent Wickes.

5. Former Sam's director of operations Robert Palmer and Designers Gallery ceo Jeffrey Zisk joined forces to found what new company?

a) SportsClub
b) HomeClub
c) American Wholesale

CATALOG SHOWROOMS

Jewelry Will Sparkle In Industry's Future

ARTHUR MARKOWITZ

Catalog showrooms are passé; long live catalog showrooms.

This doesn't mean the industry is dead. It's still a lively $5 billion-plus business, a hard lines retailing powerhouse moving items that range from footballed small appliances to fine diamonds that sell for $10,000 and more.

But the traditional catalog showroom approach of relying just on an annual book to market an overpowering assortment of hard lines in huge showrooms is past tense for a major portion of the industry.

Instead, catalogers have repositioned themselves as a new type of retailer: a diversified jewelry and hard goods specialty store that exploits a market niche between full-line merchandisers like discounters and conventional department stores and one-category specialty retailers like consumer electronics, sporting goods or toy stores.

The industry's new look has seen catalogers recast their hard goods merchandising more narrowly to focus on jewelry and giftware as the core, high profit center, with four ancillary categories, houseware and home goods, consumer electronics and photo, leisure (toys and sporting goods) and juvenile, positioned as traffic driving areas that generate fast-turning, gross margin dollars.

The annual catalog is now supplemented with targeted advertising using direct mail flyers, radio and TV.

The industry's repositioning reflects the ongoing evolution that has marked all segments of retailing. Catalogers have had to seek a new marketing niche because their merchandising stance of the 1960's and 70's did not prove viable for the 80's. The annual catalog's low, everyday price was undercut by sharper promotions from other retailers, while the showroom's order and pickup system failed to provide the fast checkout or personal service customers demand.

Catalogs now can be broadly segregated into one of two distinct types, one that harkens back to the industry's pioneer days and the other that points the way to the future.

The first group merchandises jewelry and giftware and the four other categories in large showrooms that typically run 40,000 sq. ft. and more in size. These chains tend to mass display most categories except for jewelry and, in some cases, consumer electronics and photo.

These large showrooms are fossils from the industry's early days when catalogers tried to merchandise a vast assortment that included hardware, auto accessories and even health and beauty aids. Catalogers still operating these mass display, self-service giants have been forced to merchandise the broadest hard lines mix, including the extensive use of not-in-catalog goods, to fill space.

The other group follows a tighter merchandising approach in salesclerk service-oriented showrooms that rarely are larger than 35,000 sq. ft. They focus more heavily on jewelry and giftware, often appearing to be jewelry stores that have wandered into the housewares, home, consumer electronics and photo categories, and usually avoid the leisure and juvenile areas.

The industry's future lies with these jewelry-driven showrooms. Recognizing this, a number of catalogers that in the past operated large showrooms now are opting in their expansion planning for scaled-down stores that reflect the sharply edited, hard lines merchandising approach of the jewelry directed chains.

Product Movement Audit Highlights Lead Items from Major Distributors

Nationwide DSN Report

A talking bear, a rifle and an alkaline battery were the three leading products in total dollar movement at discount stores last year, *DSN*'s 13th annual Product Movement Audit (PMA) found.

The audit examines movement figures from leading distributors serving full-line discount stores, as well as other key retailers selling the products covered in the section.

Beginning on page 23, this year's PMA, which tracks sales performance in 1986 and forecasts this year's trends in key discounter product categories, revealed that:

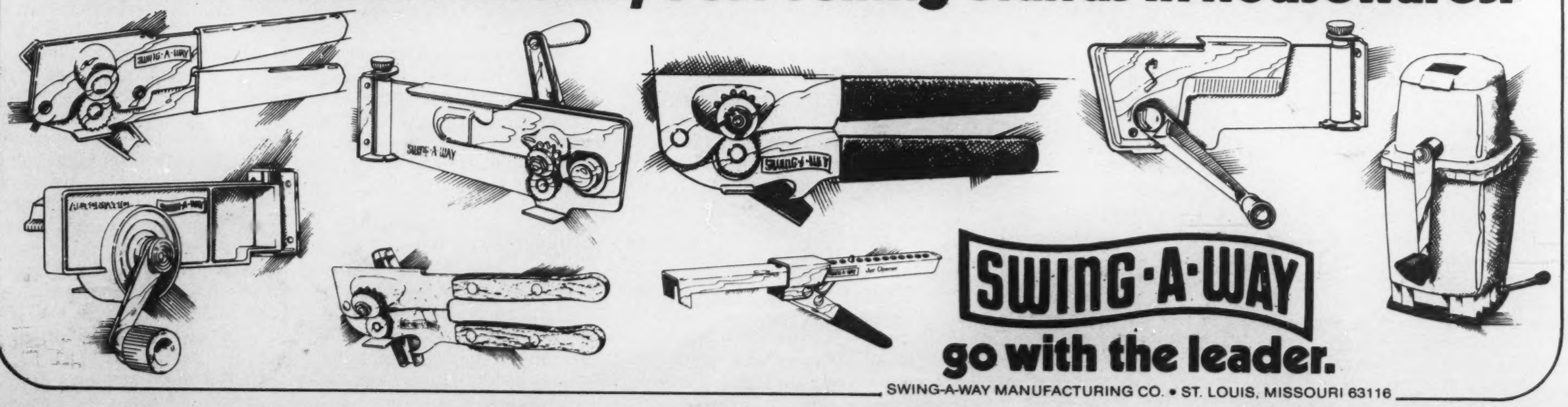
- Slate blue was the "in" color for housewares last year; mauve is expected to be this year's best seller. Corning's Visions cookware was the best dollar mover; but bath items appear to be a fast growing category (page 23).
- Hardware vendors' efforts to make their products more appealing to women continued last year, as better packaging and instructional information showed up on many items. Batteries, because they are merchandised extensively in discount stores, usually in several locations, including checkout, led in dollar volume. After batteries, light bulbs was the next biggest dollar category (page 31).
- The trend to eye care products, especially items for contact lens wearers, fueled gains in the H&BA category. Listerine mouthwash was the top dollar mover in the category, while Tylenol Caplets was ranked third (page 32).
- In automotives, new eye-level brake lights that are now mandatory on all new cars was the fastest growing accessory. The two biggest dollar volume products in the category, oil filters and sealed beam headlamps, swapped their rankings from the previous year (page 34).
- Teddy Ruxpin replaced Cabbage Patch dolls as last year's dollar volume champion, and Pressman's Wheel of Fortune game dethroned Trivial Pursuit as king of the board games. Lazer Tag, the hot product of Christmas 1986, failed to rank high on the PMA list because of its late availability (page 36).
- Firearms led the sporting goods list in dollar movement. The meteoric rise in exercise equipment cooled off somewhat last year. Warmer weather early this year is propelling sales of sporting goods in general (page 39).
- Home office products like file accessories spurred growth in stationery departments, but the biggest volumes were generated by staples like filler paper, binders and pencil sets (page 40).

Discounters' Top Sellers

Product	Unit Movement	$ Movement
Housewares		
Corning Visions 6-pc. cookware set, V390	16,757	$927,332
Corning Visions 6-pc. saucepan set, V300	10,043	497,028
Anchor Hocking 40-pc. entertainer set	5,961	209,171
Hardware		
Eveready E91BP-4 AA alkaline battery	319,023	979,401
Eveready E93BP-2 C alkaline battery	372,903	902,425
Eveready E95BP-2 D alkaline battery	299,988	725,971
Stationery		
Mead filler paper 200 0215	269,963	159,276
Trapper Keeper binder 29096	27,211	143,996
Faber 10-pack . pencil pegged	235	138,696
Health & Beauty Aids		
Listerine antiseptic mouthwash 32 oz.	211,370	758,818
Bausch & Lomb sensitive eyes saline 12 oz.	187,076	671,602
Tylenol Caplets extra strength 50's	127,764	471,449
Toys		
Worlds of Wonder Talking Teddy Ruxpin	27,000	1,619,730
Bontempi B/O 12 key organ	39,000	662,610
Pressman Wheel of Fortune	52,000	623,480
Sporting Goods		
Marlin Rifle with scope	12,868	1,157,991
Marlin 30AB Rifle	4,530	815,355
U.S.R.A. shotgun 12085	3,620	687,763
Automotives		
Ford Flia Motorcraft oil filter	169,339	506,324
Naplc 6052 sealed beam, large square	60,484	483,267
Armor All Protector 16 oz.	58,465	408,670

Source: Leading distributors

One of the best-known, best-selling brands in housewares.



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Home Products

New Housewares Show Products Carry Higher Price Tags

By Harold Rubin
President,
HalMar Distributors

Believe it or not, the April National Housewares Manufacturers Association's (NHMA) show was packed with new *products*, not just new colors. Buyers finally have the opportunity to take new merchandise and run with it.

Along with new products, however, will come new pricing. Manufacturers are telling me they either need to raise prices because they have incurred higher material costs or because they haven't been able to take increases for several years now. On the latter reason, they have a point.

Competition Lags

In the past, due to vendor competition, retailers knew they could fight manufacturers on price and, more often than not, win that price battle. Now, however, competition is not quite as intense due to mergers, higher import tariffs and more company failures. As a result, prices will edge up during 1987.

Gadgets in particular will go up in price during the year. The wave of increases is coming, and when it hits it will probably be around 4%.

Gadget manufacturers are doing a lot of repackaging and trying to create an update of staple kitchen items.

The Swing Away can opener and junior can opener were the two top selling gadgets, each with sales over $100,000. Timers also captured several of the top 15 spots in 1986.

By now everybody in plastics has jumped on the slate blue bandwagon. In fact, Rubbermaid's slate laundry basket was the top selling item by that vendor, according to our 1986 ranking. The next color we're going to see on the rise is mauve, initiated by Worcester, Mass.-based Frem Corp. I believe mauve will spur plastics sales beyond its already strong growth.

Some of the merchandise that had appeared under the plastics header last year has been dropped from this year's listing. Retailers decided to move some of the merchandise like closet wire racks and shelves to hardware.

Bath has also developed into a very active category, especially with so much of the merchandise now being packaged for pegged display.

Toilet seats from Magnolia, scales from Counselor as well as new carding from manufacturers like Selfix have enhanced the area's visual appeal by giving more front-face product exposure. Hanging displays also give bath a more self-service image.

The two top ranked Pyrex items, the thermal servers, are being discontinued by the manufacturer.

The Clear Advantage line of non-stick glassware introduced by Pyrex the end of last year should make its way into the top slots once the consumer advertising program goes into full swing. It will become a bright light in the bakeware business.

(Continued on page 24)

PLASTICS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Eagle E2757 Juice Decntercir	37,695	2.06	77,652
2	Tucker 3216 Storage Bin 3 pc Alm	1,953	22.85	44,626
3	Eagle E2755 1 qt Juice Decantr Clr	28,193	1.43	40,316
4	Frem 720 Spacemaker Bin Asst	36,326	1.07	38,869
5	Vanderbilt 751 Nylon Baster	28,574	1.25	35,718
6	Beacon L85 Paper Towel Holder	16,774	2.06	34,554
7	Arrow CS53D Decor Cutting Board	4,662	7.19	33,520
8	Hutzler 350 Scour Pad Holder	24,111	1.07	25,799
9	Frem 716 Sm Utility Bskt Asst	23,820	1.07	25,487
10	Jarsen 60130 Polar Pak Asst 3.5 qt	6,427	3.59	23,073
11	Frem 721 Mini Spacemaker Bin Asto	32,039	0.71	22,748
12	Frem 806 Bowl Asst 13 oz	50,102	0.44	22,045
13	Sterilite 865 Butter Dish Alm/Choc	18,748	1.16	21,748
14	Eagle 73420 Micro-Ald 5 pk 20 oz	4,812	4.31	20,740
15	Frem 809 Bowl Asst 2.5 qt	12,772	1.61	20,563

GADGETS

1	407R Swing Away Opener	24,169	5.21	125,920
2	107 Swing Way Jr Opener	41,112	2.69	110,591
3	101 Range Reflector 6 in	36,673	2.60	95,350
4	102 Range Reflector 8 in	31,230	3.05	95,252
5	Rhodes 29031-UC Timer White	8,647	7.64	66,063
6	Intermatic D611B Cordless Timer	4,840	12.59	60.936
7	Ekco 00050 Stainless Peeler	35,674	1.70	60,646
8	Rhodes 29035-UC Timer Almond	7,700	7.64	58,828
9	Intermatic D711B Supercop Plug-In Time	4,825	10.79	52,062
10	Ekco 00840 4 Way Can Opener	28,847	1.70	49,040
11	Range 105A Reflec Pan-GE-Hotpt-6	33,515	1.43	47,926
12	Range 106A Reflec Pan-GE-Hotpt-8	24,092	1.97	47,461
13	Ekco 00030 Peeler	51,347	0.89	45,699
14	Sprfld 8153-2 Cookng Timer-Snbeam	4,209	9.89	41,627
15	0001-16/2428 Lux Timer	3,744	10.79	40,398

CLEAN/CHEM

1	FC4101 16oz Scotch Guard	15,398	7.46	114,869
2	271 Fanti Stik Spray 32 oz	38,649	2.60	100,487
3	201 D-Con Ready Mix 16 oz	23,256	4.04	93,954
4	Dawn Liquid Detergent 32 oz	24,470	3.50	85,645
5	51 D-Con Mouse Pruf 1.5 oz	49,902	1.61	80,342
6	084 Glass Plus Spray 32 oz	30,055	2.60	78,143
7	2291 Lysol Spray 12 oz	16,574	4.22	69,942
8	2121 Lysol Spray 18 oz	11,919	5.39	64,243
9	Tide Liquid Detergent 64 oz	8,779	7.19	63,121
10	0339 Pledge Lemon 14 oz	17,521	3.41	59,747
11	Spic & Span Cleaner 27 oz	11,795	5.03	59,329
12	Downy Fabric Softener 64 oz	12,944	4.40	56,954
13	215 Easy-On Starch 22 oz	26,109	1.97	51,435
14	5432 Beacon Mop & Glo 32 oz	10,935	4.67	51,066
15	00026 Soft Scrub 26 oz	13,838	3.23	44,697

COOKWARE

1	Ekco 64110 Bakers Cookie Sheet	42,709	4.67	199,451
2	Ekco 64330 Bakers Db Cake Pan	42,913	4.13	177,231
3	Nordic 62304 Micro-Go-Round	3,309	44.99	148,872
4	Ekco 64260 Bakers Roast/Bake	22,785	6.20	141,267
5	Ekco 64100 Bakers Cookie Sheet	33,097	3.95	130,733
6	Ekco 64200 Bakers 12 cup Muffin	24,811	5.03	124,799
7	Normandy 312G Saucepot 12 qt Bone	6,864	15.11	103,715
8	WearEver 26032 12 In Chef Fry Pan	7,773	11.69	90,866
9	WearEver 26030 10 Saute SilverStone	9,503	8.99	85,432
10	Ekco 64900 Bakers Secrt 9 pc Set	2,573	26.99	69,445
11	Ekco 64470 Bakers Loaf Pan	17,082	3.77	64,399
12	WearEver 46032 Chef Fry 12 In S/Stone	4,331	14.84	64,272
13	WearEver 46030 Chef Fray 10 In S/Stone	4,613	12.59	58,078
14	WearEver 26028 Saute Pan 8 In S/Stone	8,855	6.29	55,698
15	Hillside HM60SP Spring Form Pan	7,187	7.73	55,556

PYREX

1	Corning 233 Utility Dish	18,473	7.19	132,821
2	Corning 1215 Bakers Choice Set	7,052	17.09	120,519
3	Corning 234/4/Org Obl Bake Dish	11,218	8.99	100,850
4	Corning 516/Org Measure Cup	23,709	3.59	85,115
5	Corning 6230F Cov Cass & Bskt Fald	6,801	11.24	76,443
6	Corning 506/Org Measure Cup	25,693	2.69	69,114
7	Corning 463 D Custard Cup	17,200	3.95	67,940
8	Corning 232 Utility Dish	10,201	6.29	64,164
9	Corning 222 Org Cake Dish Square	12,446	5.03	62,603
10	Corning 2320F 2 qt Bake Dish & Bskt	5,278	11.24	59,325
11	Corning 233M 3 qt Rect Baking Dish	7,688	7.46	57,352
12	Corning 532/Org Measure Cup	11,234	4.67	52,463
13	Corning 684M 2 qt Cov Casserole	7,271	6.83	49,661
14	Corning 210/6/Org 10 In Pie Plate	13,134	3.41	44,787
15	Corning 464 D Deep Pie Dish	7,823	5.39	42,166

RUBBERMAID

1	2965 Laundry Bskt Slate Bl	30,226	5.93	179,240
2	2894 Ruffneck 32 gal Cont	6,979	23.84	166,379
3	2965 Laundry Bskt Almond	27,075	5.93	160,555
4	2965 Laundry Basket Ch	23,289	5.93	138,104
5	0450 Bath Mat White	31,421	3.86	121,285
6	6032 Dish Drainer Slate Bl	17,582	6.74	118,503
7	6032 Drainer Almon	16,735	6.74	112,794
8	0450 Bath Mat Lt Blue	28,938	3.86	111,701
9	6008 Dish Drainer Blue	18,533	5.84	108,233
10	8527 Micro Set 7 pc	3,524	28.79	101,456
11	2864 Fliptop Basket Blue	11,512	8.54	98,312
12	7041 Bath Mat White	16,541	5.84	96,599
13	2979 Roughneck 30 gal Cont	4,029	23.84	96,051
14	6008 Drainer Almond	16,070	5.84	93,849
15	2951 Dishpan Almond	27,084	3.32	89,919

(Continued on page 24)

MARKETWATCH

NEW YORK — **Fortunoff**, the jewelry and home furnishings-oriented department store that was founded in Brooklyn in 1922 as a tiny store selling housewares, is celebrating its 65th anniversary with a series of ads and circulars in the New York metropolitan area. The still family-owned firm—originally called Max Fortunoff Department Store—is using old photos of the original Livonia Avenue store along with copy highlighting Fortunoff's family heritage. "In 65 years, just how much has changed?" asked one full-page ad. "Not much in terms of value" implies the copy. The company has come a long way now, with stores in Westbury, Long Island; Wayne, N.J., and Manhattan.

WOOSTER, Ohio — **Rubbermaid**, the giant housewares supplier based here, has completed its previously announced acquisitions of Viking Brush Ltd. of Canada and the Little Tikes' Manufacturing licensee in Ireland. The company did not disclose any financial terms of the two deals.

* * *

WASHINGTON — Sales of home video products began 1987 with mixed results, the **Electronic Industries Association/Consumer Electronics Group** (EIA/CEG) based here reported. Color televisions (including those with built-in stereo), videocassette recorders and camcorders all gained in sales for January while sales of black-and-white TVs declined 22% and projection TVs slipped 13%. Color TV sales to dealers increased 3% to approximately 1.3 million units, while those with built-in stereo advanced 5% compared to last January. Color TV had its best sales year ever in 1986, with total unit sales of 18.2 million. Approximately one of every six color sets sold in 1986 contained built-in stereo and it is expected by the EIA/CEG that this percentage will increase to 30% this year. Videocassette recorders, which also set a sales record last year of 13.2 million units, rose 18% in January compared to the same month last year. Camcorders began 1987 with a 43% jump over last January's sales.

New Housewares Show Products Carry Higher Price Tags

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
CORNING				
1	V360 Visions 6 pc Set	16,757	55.34	927,332
2	V300 Visions 6 pc S Pan Set	10,043	49.49	497,028
3	V5 Visions 5 qt Cov Saucpan	8,119	26.54	215,478
4	V20 Visions Cov Dbl Boiler	7,094	27.89	197,852
5	V10 Vns Skillet W/Cvr 10	7,759	19.79	153,551
6	A33-93 Trio Set Pastel Bou	4,164	26.99	112,386
7	A33-P Trio Set Cornflower	3,051	26.99	82,346
8	V2 ½ Visions 2½ qt Spa	2,946	22.49	66,256
9	V1 Visions 1 qt Cov Saucepan	4,200	15.74	66,108
10	F280 French White 3 pc Set	2,076	30.14	62,571
11	V-250-P 3 pc Visions Set	2,093	23.75	49,709
12	V31/2ST Vns 3½ qt Cov Steam	1,969	25.19	49,599
13	C-15 Sm Counter Saver Whit	3,021	15.11	45,647
14	C-15-95 Cntr Svr Ccl Mist	2,884	15.11	43,577
15	F3 FR Wh 10 in Pie Plate	3,316	12.86	42,644
TABLE TOP				
1	Corning 116-24 16 pc Set Burgundy	4,074	32.84	133,790
2	Corning 220-451 20 pc Peach Garland	3,090	42.20	130,398
3	Corning 116-23 16 pc Set Morning Bl	3,813	32.84	125,219
4	Corning 220-453 20 pc Normandy	2,504	42.20	105,669
5	Corning 116-38 16 pc Set Melody	2,854	32.84	93,725
6	Corning 116-25 16 pc Set Solitary	2,828	32.84	92,872
7	Corning 320-92 20 pc Spring Pond	1,608	57.05	91,736
8	Corning 116-29 16 pc Set Ribbon Bqt	2,744	32.84	90,113
9	Corning 320-81 20 pc Royal Garden	1,335	57.05	76,162
10	Corning 320-82 20 pc China Blossom	1,312	57.05	74,850
11	Corning 116-4 16 pc Set Butter Gold	2,228	32.84	73,168
12	Corning 320-333 Occa 20 pc Shadw Ir	1,274	57.05	72,682
13	Corning 320-334 Occa 20 pc Veranda	1,264	57.05	72,111
14	Corning 116-95 16 pc Set Colonial	2,181	32.84	71,624
15	Corning 320-332 Occa 20 pc Pacifica	920	57.05	52,486

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
GLASSWARE				
1	Anchor 3600/672A Entrtainr Set 40	5,961	35.09	209,171
2	Libbey 82486D 24 pc Bolero Blue	10,567	19.79	209,121
3	Libbey 82486T 24 pc Bolero Tawny	8,210	19.79	162,476
4	Libbey 82486 24 pc Bolero Crystal	3,658	19.79	72,392
5	Anchor 300/279C 18 pc Arl Punch	3,236	16.01	51,808
6	Libbey 82443 24 pc Impromptu Cry	2,442	20.69	50,525
7	Anchor 4523 Wexford Butter/Cov	17,368	2.42	42,031
8	Anchor 4525 Wexford Salt & Pepper	15,044	2.24	33,699
9	Anchor 2100/110 18 pc Tempo Cry	4,020	8.09	32,522
10	Libbey 81848 Symmetry 18 pc Cry	1,491	20.24	30,178
11	Anchor 4553E Wexford Sugar/Cover	12,587	2.24	28,195
12	Anchor PM486/TI Divided Dish w/Cv	3,912	7.10	27,782
13	Anchor 3700/128 24 pc Aurora Crys	2,360	11.69	27,586
14	Libbey 214T Monarch Bev 4 pk	5,125	4.94	25,318
15	Libbey 219T Monarch Cool 4 pk	4,434	5.57	24,697
BATH				
1	Selfix N443 Portable Shower Spray	7,729	10.79	83,396
2	Selfix 2353 Lg. Shower Caddy Wh	15,989	5.12	81,864
3	Magnolia M100 Molded Toilet Seat Wh	6,201	9.44	58,537
4	Selfix 2351 Shower Caddy Wh	15,017	3.14	47,153
5	Selfix C441-01 Self. Shampoo Spry W	18,958	2.42	45,878
6	Selfix 2110-01 Twin Hook Wh	29,750	1.52	45,220
7	Magnolia M3000A Padded Seat Wh	1,901	17.54	33,344
8	Selfix 2298 Tissue Holder	13,477	2.24	30,188
9	Ekco 38170 24 Towel Bar	9,344	3.14	29,340
10	Ekco 38110 18 in Towel Bar	10,778	2.69	28,993
11	Selfix 2274-01 Towel Bar 24 in Wht	12,281	2.33	28,615
12	Ekco 38160 24 Twin Towel Bar	5,405	4.94	26,701
13	Magnolia M3000A Padded Seat Bl	1,481	17.54	25,977
14	Selfix 2273-01 Towel Bar 18 in Wht	12,074	2.15	25,959
15	Ekco 38890 Toilet Tissue Holder	9,776	2.60	25,418

Source: HalMar Distributors, Holyoke, Mass., for Jan. 1 to Dec. 31, 1986, covering more than 500 stores, including 400 discount stores, from New England to the Carolinas. Average retail prices reflect typical price points for mass merchandisers.

(Continued from page 23)

While Clear Advantage sales should not effect traditional bakeware sales, it will no doubt drain sales from traditional clear Pyrex lines.

It will be interesting to see how the Pyrex ranking changes by this time next year. As it stands, Pyrex' Model 233 utility dish took the No. 1 spot with nearly $133,000 in retail volume. The Model 1215 Bakers Choice set and oblong bake dish ranked No. 1 and No. 2, respectively.

Ekco continues to steal the show in metal bakeware. Seven of the top movers in our cookware/bakeware listing carried the Ekco label.

Corning's Visions cookware was far and away the best dollar mover. The six-piece V360 set generated over $900,000 in retail volume during 1986. The six-piece saucepan set was a distant second with nearly $500,000 in volume.

The three-piece French white set continues to hold onto a top 15 spot as does the pie plate. After Corning introduces several new patterns at the April show, the French white could fade away from the top-selling limelight.

MANUFACTURER NEWS HOME PRODUCTS

LAKE GENEVA, Wis. — **The Cookware Manufacturers Association** has reported that industrywide sales of metal cookware, bakeware and miscellaneous kitchenware items declined 4.8% in 1986. Imports of cookware showed an increase of approximately 10%, while exports decreased about 30%.

The association reported that U.S. manufacturers sold $570 million of non-electric metal cookware, bakeware and miscellaneous kitchen items at factory billing in 1986, compared to manufacturer sales of $599 million in 1985.

The association reported that top-of--stove sales accounted for 74.7% of industry sales in 1986, compared to 76.4% in 1985. Metal bakeware rose to 21.4%, against 20.2% in 1985. Miscellaneous kitchenware sales hit 3.9% in 1986, up from 3.4%.

Aluminum cookware, both stamped and cast, represented a market share of 57% of all metal cookware in 1986, compared to 56.4% in 1985. Stainless steel cookware accounted for 39% in 1986, compared to 39.2% in 1985. Cast iron and other types such as porcelain and copper, totaled 4% in 1986, down from 4.3% in 1985.

* * *

DOWNERS GROVE, Ill. — **Sunbeam Appliance Company** has eliminated two low-end, 10½-in. models from its 1987 electric frypan line.

The models that will be continued in the line are higher priced frypans that provide better margins and features.

Models continuing in the line include two, extra-large, 13-in., SilverStone-coated frypans, one with removeable legs. Also to be continued is a deluxe 11½-in. large size SilverStone coated frypan.

* * *

TOWSON, Md. — **The Black & Decker Corporation** has proposed the sale on the European market of seven-year bonds in the principal amount of 100 million deutsche marks (approximately $56 million). The sale will be made through a syndicate to be formed by a bank.

Net proceeds from the bond sales will be used to pay short-term debt that was incurred primarily to retire certain high-interest, long-term debt in 1986.

The bonds will not be registered under the Securities Act of 1933 and will not be offered or sold in the United States or to United States nationals.

* * *

WEST DES MOINES, Iowa — **Commtron Corporation**, eleven studios that distribute prerecorded videocassettes and Parade Magazine announced a $14 million national consumer advertising progrm to promote new releases for rent and for sale.

The year-long program begins May 10 with a two-page centerfold and continues with a two-page double-truck ad on the 2nd Sunday and a single-page ad on the 4th Sunday of every month.

Each participating home video supplier will promote at least two titles per month. The color advertisements will describe the movies, list the day they become available, along with the suggested retail price if offered for sale.

The suppliers are CBS/FOX, HBO/Cannon, I.V.E. Karl Lorimar, MCA Video, Media Home Entertainment, MGM/UA, New World Video, Vestron and Walt Disney Home Video, as well as Warner Home Video.

Each "Now Playing" ad will list the names and addresses of local retailers where the tapes can be rented or bought.

Commtron recently reported a net earnings increase of 26% to $3.7 million for the six months ended February 28, 1987, up from $2.9 million for the previous-year period. Net sales increased 6% to $244.5 million, an increase from $230.6 million.

Because of 26% more average shares outstanding from a 2 million share initial public offering in July, 1986, earnings per share for the six months were 37¢, the same per share results as last year's period.

Net sales for the second fiscal quarter ended February 28, 1987 were $104.2 million compared to $115.9 million in the prior-year period. Net earnings were 1.6 million compared to $1.7 million. Earnings per share were 16¢ on 10.1 million average shares outstanding, down from 22¢ on 8 million shares for the previous year's quarter.

* * *

CHICAGO — **Joanna Western Holdings Inc.**, manufacturer of window fashions, has signed a definitive agreement to sell its Consumer Products Business to CHF Industries Inc. The sale is expected to be finalized by March 31, 1987.

CHF Industires, a subsidiary of CC Industries Inc., Chicago, owns Aberdeen Manufacturing and Cameo Curtain.

Joanna Western Holdings is the successor to Joanna Western Mills Company, Chicago, a textile marketer. The company's Industrial Products Division and the Phillips-Joanna Division are unaffected.

The only part of our line you can't discount is our name.

Pelikan

For Information: 1-800-251-3365 (in Tennessee call Collect 615-794-9000), Pelikan Inc., 200 Beasley Drive, Franklin, Tennessee 37064

Don't play games with your lungs.

Your lungs are an incredible piece of equipment. But they're also incredibly delicate. Every time you smoke, you damage your lungs. Puff after puff, day after day, your lungs get weaker and weaker until finally, they're useless. Like a flat football. Don't let that happen to your precious lungs.

—Eric Dickerson

TAKE CARE OF YOUR LUNGS. THEY'RE ONLY HUMAN.

AMERICAN LUNG ASSOCIATION
The Christmas Seal People

Space contributed by the publisher as a public service.

Hard Lines

Hardware Vendors Update Packaging to Appeal to Women

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
BATTERIES				
1	Ever E91BP-4 AA Alk Batt	319,023	3.07	979,401
2	Ever E93BP-2 C Alk Batt	372,903	2.42	902,425
3	Ever E95BP-2 D Alk Batt	299,988	2.42	725,971
4	Dura MN1500B4 AA Size 4-Pack	230,752	3.07	709,332
5	Ever 522BP Alk 9-Volt	257,262	2.42	622,574
6	Dura MN1400B2C Size 2-Pack	249,220	2.42	603,112
7	Dura MN1300B2 D Size 2-Pack	215,101	2.42	520,554
8	Ever E91BP2 AA ALk	258,028	1.74	448,969
9	Dura MN1604B 9-Volt 1-Pack	180,273	2.42	436,261
10	Dura MN1500B2 AA Size 2-Pack	193,993	1.74	337,548
11	Kodk KAA-4 AA 4-Pack Batt	52,272	2.91	152,112
12	Ever E92BP-4 AAA Alk	45,406	3.07	139,396
13	Ever 950-4 D Gen Batt	96,094	1.38	132,610
14	Kodk KC-2 C-2 Pack Batt	52,218	2.29	119,579
15	Ever 1250BP-2 DHD Batt	97,752	1.20	117,302
HAND TOOLS				
1	Stan 33-425 25-ft Tape Rule	2,246	14.00	31,444
2	Arrw T-50 Staple Gun Tack	1,199	16.97	20,347
3	Stan 33-212 12-ft Powr Rule	2,321	7.57	17,570
4	Stan 34-500 L Tape 100-ft	1,386	12.38	17,159
5	Stan 10-099 Retract Knife	4,941	3.47	17,145
6	Bost 203 Glue Gun	1,469	11.31	16,614
7	Stan 64-856 Screw Set 6-pc	2,099	7.81	16,414
8	Arrw T-55 Staple Gun Tack	1,179	13.70	16,152
9	Test G0030J 7-pc Scrdrv St	4,012	3.67	14,724
10	Stan 47-871 Chalk & Reel	3,013	4.56	13,739
11	Stan 30-525 25-ft Tape Rule	1,396	9.60	13,402
12	Stan 33-116 16-ft Powr Rule	1,057	12.47	13,202
13	Stan 33-312 12-ft Powr Rule	1,223	10.07	12,316
14	Stan 46-222 5½ Comb Sq	1,891	6.47	12,235
15	Stan 11-921 Heavy Duty Bl	10,908	1.08	11,781
PLUMBING				
1	Mold 1600 Toilet Tank Kit	3,693	6.50	24,005
2	Mold 1422 Super Plunger	7,225	3.26	23,554
3	Mold 1501 Basket Strainer	13,176	1.55	20,423
4	Mold 14206 Plunger 49021E	13,467	1.45	19,527
5	Mold 1660 Servo-Flush Kit	2,954	6.16	18,256
6	Mold 1603 Ballcock Brass	1,548	10.95	16,951
7	Mold 1619 Flapper Ball	12,015	1.40	16,821
8	Kess ½-In X 10-ft Copper Tube	2,530	5.93	15,003
9	Mold 18016 6-ft Fem X Fem	4,223	3.58	14,696
10	Mold 1601 Ballcock Plasti	3,303	4.48	14,797
11	Mold 1609 Tank Lever	7,080	1.74	12,319
12	Mold 2515 Louver Vent Kit	2,336	5.05	11,797
13	Mold 3525 Shower Massage	684	17.21	11,772
14	Mold 1406 Plumb Repair Kt	5,999	1.90	11,398
15	Mold 12013 Lucite Handle	3,300	3.39	11,187
PAINT SUNDRIES				
1	Klst PLA9 Paint Thin Gal	27,286	2.73	74,382
2	Manc 8615 2-In Duct Tape	14,476	4.28	61,957
3	Klst PT1K Pnt Thinner Qt	20,587	1.39	28,616
4	Manc MK403 1½-In Mask Tap	15,665	1.35	21,148
5	Manc MK404 2-In' Masking Tape	11,278	1.80	20,300
6	Webe 110 Plast Drop Cloth	22,252	0.90	20,027
7	Intl St Wool 8 Pad 0000	16,862	1.13	19,054
8	Manc MK401 ¾-In Mask Tape	29,300	0.64	18,752
9	Manc PK4 Mask Tape 2 X 60	9,804	1.80	17,647
10	Manc MK402 1-In Masking Tape	18,372	0.90	16,535
11	Manc 8300 Duct Tape 2-In X 30	5,681	2.89	16,418
12	Hyde 13050 Razr Scr & Blade	13,114	1.22	15,999
13	Manc FRD60 Fire Duct Tape	3,592	4.44	15,948
14	Webe 111 Utility Cover	8,656	1.70	14,715
15	Hyde 33100 Wal Stripper	2,820	5.19	14,636

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
LIGHT BULBS				
1	GE FAM36-60A/W Wht Bulb	198,622	3.23	641,549
2	GE FAM36-60A If Rg Bulb	183,518	2.30	422,091
3	GE FAM36-100A/W Wht Blb	125,958	3.23	406,844
4	GE FAM36-75A/W Wht Bulb	106,484	3.23	343,943
5	GE FAM36-75A If Rg Bulb	124,426	2.30	286,180
6	GE TWM 60-50/150 3-Way	133,606	1.93	257,864
7	GE FAM36-40A/W Wht Bulb	65,941	3.23	212,989
8	GE FAM36-100A Reg Bulb	84,488	2.30	194,322
9	GE 40A 40 Watt Bulb If	79,946	2.30	183,876
10	GE TWM 60-30/100 3 Way	70,155	1.93	135,399
11	GE 4C7 4 Watt Nite Lite	116,674	0.97	113,174
12	GE F20T12/SW Flour Bulb	21,181	4.33	91,714
13	GE FBS 25/WX Brit Stick	5,724	15.70	89,867
14	GE FC12T9/SW Circln Blb	12,775	6.58	84,060
15	GE 40A15 40W Applia Blb	73,728	1.06	78,152
POWER TOOLS				
1	B&D 7308 7¼-In Saw	2,402	41.29	99,179
2	B&D 9020 Cordless Drill	2,191	40.64	89,042
3	B&D 9330 Dustbuster	2,932	30.24	88,664
4	B&D 7391 7¼-In Circ Saw	944	55.46	52,354
5	B&D 7448 Sander	1,664	27.29	45,411
6	B&D 7190 ⅜-In Drill Vs	982	43.71	42,923
7	B&D 7043 M47 ¼-In Drill	1,714	24.27	41,599
8	B&D 7543 M47 Jig Saw	1,611	23.27	39,099
9	B&D 9021 Drill/Driver Kt	967	37.79	36,543
10	B&D 9334 Dustbuster Plus	908	38.92	35,339
11	B&D 7147 ⅜ Rev Drill	1,108	31.49	34,891
12	B&D 7144 ⅜ Var Drill	955	36.39	34,752
13	B&D 9360 Spotliter	1,364	24.97	34,059
14	B&D 7447 Belt Sander	597	50.15	29,940
15	B&D 7224 ½-In Drill	468	62.85	29,414
SECURITY				
1	Harl T-700 US3 Entry Mdl	4,526	9.23	41,775
2	Mast 1500D Comb Padlock	7,710	3.40	26,214
3	VSI V651X3 Entrance Lock	2,312	8.33	19,259
4	Harl UR 700-M-DL US3 Enty	1,053	15.22	16,027
5	Harl T-700-M-DL US5 Entry	1,590	9.74	15,487
6	Mast 22D Padlock 1½-In	6,194	2.00	12,388
7	Mast 500D Padlock 1¾	4,263	2.55	10,870
8	Idel 17-8533 Pneum Close	2,268	4.77	10,818
9	Mast 1D Padlock 1¾-In	1,603	6.05	9,698
10	Harl DC-DB 840 US3 Doub	782	12.04	9,415
11	Harl DC-DB 820 US3 Sing	967	9.31	9,003
12	Idel 45-3024 Nite Latch	1,449	5.98	8,665
13	Idel 11-6022 Knob Lock	1,331	6.20	8,252
14	Harl UM700 US5 Entry Mdl	449	17.92	8,047
15	VSI V640X3 Privacy Lock	1,232	6.49	7,996
SPECIALTY PAINTS				
1	Rust 7792 Gloss White 13	26,363	3.61	95,170
2	Rust 7779 Gloss Blk 13-oz	20,151	3.61	72,745
3	Rust 7792 Hi Gloss Wh Qt	6,795	6.62	44,982
4	Rust 7789 Red Prim 13-oz	11,933	3.61	43,078
5	Rust 7779 Hi Gloss Blk Qt	6,157	6.62	40,759
6	Kryl 1501 Gloss White	12,582	3.02	37,998
7	Rust 7715 Sivrmetal 13-oz	9,395	3.61	33,916
8	Rust 2081 Lt Gray Prmr 13	8,581	3.60	30,892
9	Rust 7776 Flat Blk 13-oz	8,581	3.60	30,892
10	Rust 7770 Almond 13-oz	7,196	3.60	25,906
11	NYBC 1704 Gloss Black	18,059	1.40	25,283
12	Rust 7789 Rusty Metal Qt	3,735	6.62	24,726
13	Rust 7785 Regal Red 13-oz	6,624	3.61	23,913
14	NYBC 1702 Appliance White	16,908	1.40	23,671
15	Rust 7778 BBQ Blck 13-oz	5,676	4.08	23,045

Source: Schreiber Company, distributor, Lititz, Pa., for calendar 1986, covering 825 stores, including 725 discount stores, in the Northeast, Southeast, Mid-Atlantic and North Central regions. Average retail prices reflect typical price points for mass merchandisers.

By Arnold Reinhard
Vice President, Sales and Marketing, Schreiber Company

Tactics to attain the two basic goals of the discount hardware buyer—to lure the female shopper and beef up sales per square foot—will continue to be attacked through updated carding, intensified crate programs and the occasional new product.

Manufacturers who have decided to address the two problems simultaneously have downsized the packaging to let more product be stocked in the same space, while developing instructional guides for the growing population of female do-it-yourselfers.

Plumbing, fasteners, cabinet hardware, specialty paints and paint sundries are most noticeably being repositioned to appeal to the discount store's native female consumer. Just take a look at how basic the step-by-step instructions have become and how commonplace decorative colors and florals have become.

A colleague of mine actually saw pastel colored tool boxes at one major discount chain on a recent field trip. I do believe we have only just begun to see the influence of the female shopper in hardware.

Combination pieces are being targeted in hand tools, items like interlocking wrench sets and screwdrivers with replaceable tips in the handle—anything that does more than one job and can be sold in essentially the same space as a single-purpose tool.

In power tools, the cordless/rechargeable trend will continue to dominate as manufacturers improve product staying power.

New product will also be the driving force in security, with introductions like General Electric's new vapor light system priced around $39.95. GE had sold a similar product for the commercial/contractor market for around $65, and is now going after broader base consumer sales.

MARKETWATCH

ROCHELLE PARK, N.J. — **Toys "R" Us (TRU)** reported earnings for the fourth quarter ended Feb. 1 at $116.1 million, or 89¢ a share, a 32% increase from $88.1 million, or 68¢ a share, during the same period last year. Sales rose 28% to $1.18 billion from $924 million a year ago. TRU earnings for the year rose to a record $152.2 million, or $1.17 a share, a 27% increase over $119.8 million or 93¢ a share last year. Sales for the year rose 24% to $2.45 billion, from $1.98 billion a year ago. Per share figures reflect a 3-for-2 stock split effective last June 27. The toy store chain with 295 units worldwide plans to open 45 toy stores in the U.S. and 13 toy stores internationally this year and will enter new toy markets in Pittsburgh, Phoenix and West Germany, said Norman Ricken, president and chief operating officer.

* * *

FREMONT, Calif. — A new toy combining both Lazer Tag, the No. 1 selling line in 1986 for **Worlds of Wonder** based here, and G.I. Joe, the best-selling line last year for Pawtucket, R.I.-based **Hasbro**, will be introduced in the fall as the toy market heats up for Christmas. The G.I. Joe Lazer Battle Game Kit is an infrared action toy that allows players to assume active roles as G.I. Joe characters. The Hasbro/Worlds of Wonder licensing agreement contemplates line extensions for the product category in the U.S. and Canada.

TOWSON, Md. — **The Black & Decker Corp.** obtained last month a patent infringement settlement from International Consumer Brands the day after suing the company in U.S. District Court in Chicago. In a release, B & D said ICB, based in Westport, Conn., had been passing off repainted B & D tools as its own Houseworks brand. ICB has agreed to stop the practice, surrender any tools in inventory and stop using photos of the tools in advertising and sales literature, B & D said. The power tools involved are its M47 line. George Sherman, president of the B & D power tools group, said the lawsuit is "consistent with Black & Decker's policy of vigorously enforcing its property rights when appropriate."

HEALTH & BEAUTY AIDS | HARD LINES

Discounters Capture 15.4% of $25.3 Billion H&BA Market

By Charles Bowlus
Executive Vice President, Sales, Boston Distributors

Health & beauty aid sales grew 6% to $25.3 billion in 1986 with discount department stores capturing $3.9 billion or 15.4% of the total business. New product introductions, and the increased marketing and advertising expenditures associated with them, drove the growth this year as it has in the past.

Boston Distributor's percentage increase leader was the eye care category with a 31% jump over 1985. Eye care grew 16% nationally to $795 million in 1986, and now claims over 17 million users.

Boston's greatest dollar growth in 1986 was in the deodorant category. Solids, now at 48% of the total dollar volume, picked up the largest market share gains.

The soft lens segment of the eye care business is now 67% and growing (22% in 1986) with 90% of new contact users going to soft lenses. Bausch & Lomb continues to lead the Product Movement Audit with six sku's among the top 15, but this dominance has eroded from the nine spots held last year. B & L's Sensitive Eyes saline in the 12-oz. size took top honors with sales over twice those of second place Soflens. Allergan, the maker of Soflens, was our biggest gainer with five spots on the top 15.

In 1987, look for aerosols, led by Lens Plus, to drive the saline segment growth. Hydrogen peroxide disinfection systems will also command attention in 1987 with Ciba Vision's A-O Sept, Lensept and A-O Disc the top sku's. Bausch & Lomb should continue its dominance of the category this year—despite the stiffened competition—due to the expansion into the growth categories and the strengthened 1987 promotional programs.

Boston's greatest dollar growth in 1986 was in the deodorant category with solids picking up the largest market share gains. Nationally, solids are now 48% of the dollar volume with roll-ons capturing 27% and aerosols at 25%.

The solid business has moved the total market due to the faster consumption rate of this form. The launch of wide solids by most manufacturers in 1986 drove the wide segment to over 50% of the solid market.

By mid-1987, every major manufacturer will be into solids, probably in a wide variety of scents. Aerosols are still a formidable part of the business and have actually grown by 27% over the last year. Sales per sku in aerosols are higher due to the limited number of scents in this segment.

Right Guard 10-oz. was our No. 1 deodorant sku followed by Sure 6-oz. Mennen's Speed Stick took the No. 3 spot and Lady Speed Stick was the biggest gainer of the year, taking three positions (No. 8, 9 and 11). Ban, ranked No. 6 and No. 13, was our top roll-on brand.

Shampoos, a $1.4 billion H&BA category, experienced less upheaval in 1986. The category was led once again by the 15-oz. size of Head & Shoulders in the top two spots. The shampoo market has been fragmented into three distinct price segments, with Head & Shoulders, Pert, Prell and Perma Soft representing the high end; Faberge, White Rain and VO5 on the low end, and Ivory and Flex in the middle.

The low end segment has made significant strides in capturing unit sales by representing the best promotional opportunity. Low dollar sales with the same handling cost as higher priced goods, however, can erode bottom line profitability if high end product is not pushed commensurately.

Pantene is the line to watch in 1987 on the high end with

(Continued on page 39)

EYE CARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Bausch & Lomb Sens Eyes Saline, 12-oz	187,076	3.59	671,603
2	Soflens Cleaning Tablets, 24's	40,457	6.97	281,985
3	Bausch & Lomb Saline Solution, 12-oz	70,651	3.59	253,637
4	Soflens Cleaning Tablets, 12's	36,916	4.97	183,473
5	Bausch & Lomb Sens Eyes Saline, 8-oz	52,216	2.98	155,604
6	Allergan Clean & Disinfect Solution, 8-oz	29,835	4.97	148,280
7	Bausch & Lomb Disinfect Solution, 12-oz	29,146	4.59	133,780
8	Opti-zyme Enzymatic Cleaner, 24's	18,717	6.42	120,163
9	Bausch & Lomb Daily Cleaner, 1.5-oz	31,184	3.59	111,951
10	Lensept Disinfecting Solution, 8-oz	21,921	4.59	100,617
11	Soflens Cleaning Tablets, 48's	8,044	11.98	96,367
12	A O Sept, 8-oz	18,446	4.88	90,016
13	Bausch & Lomb Sens Daily Cleaner, 1-oz	25,004	3.59	89,764
14	Allergan Saline Solution, 8-oz	26,469	3.39	89,730
15	Flex Care, 12-oz	18,356	4.88	89,577

SHAMPOO

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Head & Shoulders Norm/Oily Lotion 15-oz	73,340	3.69	270,625
2	Head & Shoulders Norm/Dry Lotion 15-oz	61,937	3.69	228,548
3	Ivory Shampoo Normal 15-oz	103,291	1.89	195,220
4	Head & Shoulders Norm/Oily Lotion 11-oz	52,745	2.97	156,653
5	Faberge Organic Shampoo 15-oz	97,964	1.39	136,170
6	Head & Shoulders Norm/Dry Lotion 11-oz	44,215	2.97	131,319
7	Faberge Organic Shampoo Extra Body 15-oz	94,439	1.39	131,270
8	Pert Plus Shampoo Normal 15-oz	32,525	3.29	107,007
9	White Rain Shampoo Extra Body 18-oz	66,229	1.59	105,304
10	Ivory Shampoo Extra Body 15-oz	53,514	1.89	101,141
11	Prell Shampoo Norm/Oily Liquid 16-oz	28,677	3.49	100,083
12	Pert Plus Shampoo Oily 15-oz	29,208	3.29	96,094
13	Prell Shampoo Norm/Dry Liquid 16-oz	26,130	3.49	91,194
14	Perma Soft Shampoo Dry 16-oz	27,405	3.29	90,162
15	Flex Shampoo Extra Body 15-oz	45,197	1.99	89,942

CONDITIONERS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Perma Soft Conditioner Dry 16-oz	25,257	3.29	83,096
2	Ivory Conditioner Normal 15-oz	43,633	1.89	82,466
3	Perma Soft Conditioner Regular 16-oz	22,511	3.29	74,061
4	White Rain Conditoner Extra Body 18-oz	42,096	1.59	66,932
5	Finesse Conditioner Extra Body 15-oz	18,146	3.49	63,330
6	VO5 Tube Regular 1.5-oz	20,835	2.99	62,297
7	Finesse Conditioner Extra Body 11-oz	16,220	3.49	56,608
8	White Rain Conditioner Regular 18-oz	34,224	1.59	54,416
9	Finesse Conditoner Regular 15-oz	13,393	3.89	52,099
10	VO5 Hot Oil Treatment 2-Pack	15,743	2.99	47,072
11	Suave Moisture Cond Extra Body 16-oz	28,484	1.59	45,290
12	Jhirmack Conditioner Extra Dry 8-oz	13,923	3.19	44,414
13	Silkience Conditioner Extra Body 15-oz	12,947	3.29	42,596
14	Halsa Conditioner Marigold 15-oz	21,098	1.99	41,985
15	Agree Conditioner Regular 15-oz	14,003	2.99	41,869

ANALGESICS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Tylenol Caplets Extra Strength 50's	127,764	3.69	471,449
2	Tylenol Caplets Extra Strength 100's	65,477	6.97	456,375
3	Anacin Tablets 100's	72,787	4.39	319,535
4	Tylenol Tablets Extra Strength 100's	46,004	6.79	312,367
5	Excedrin Tablets 100's	52,267	5.87	306,807
6	Tylenol Tablets Extra Strength 60's	58,432	4.29	250,673
7	Bufferin Tablets 100's	63,695	3.87	246,500
8	Advil Tablets 100's	34,612	6.97	241,246
9	Advil Tablets 50's	55,930	4.29	239,940
10	Tylenol Caplets Extra Strength 175's	31,087	7.67	238,437
11	Bayer Aspirin Tablets 100's	71,652	3.19	228,570
12	Tylenol Tablets 100's	43,635	4.28	186,758
13	Anacin Tablets 200's	20,730	8.43	174,754
14	Tylenol Caplets Extra Strength 24's	63,900	2.59	165,501
15	Excedrin Tablets 60's	34,302	3.97	136,179

CONTRACEPTIVES

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	First Response Pregnancy Test	7,543	10.58	79,805
2	EPT Plus Pregnancy Test	7,374	10.69	78,828
3	Encare Contraceptive Suppository	11,221	4.89	54,871
4	Gynol II Refill Large	6,639	7.97	52,913
5	K Y Jelly Large 4-oz	19,048	2.49	47,430
6	Today Vaginal Contraceptive Sponge	13,535	3.39	45,884
7	Conceptrol Disposable Gel 6's	8,882	4.89	43,433
8	Trojan Ribbed 12's	7,806	5.49	42,855
9	Trojan Enz Lub 12's	10,207	4.19	42,767
10	Delfen Foam Kit 20 GM	5,088	7.89	40,144
11	EPT Pregnancy Test	3,442	10.69	36,795
12	Ramses Extra 12's	6,418	5.69	36,518
13	Trojan Regular 12's	11,018	2.99	32,944
14	Lifestyles Nuda 12's	5,790	3.79	21,830
15	Lifestyles Stimula 12's	5,447	3.79	20,644

DEODORANTS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Right Guard Deodorant 10-oz	86,020	3.19	274,404
2	Sure Deodorant Regular 6-oz	57,443	3.69	211,965
3	Mennen Speed Stick Regular 2.5-oz	96,669	1.99	192,371
4	Secret Solid Antiperspirant Regular 2-oz	69,521	2.49	173,107
5	Sure Deodorant Unscented 6-oz	43,167	3.69	159,286
6	Ban Roll-On Deodorant Regular 2.5-oz	45,578	3.19	145,394
7	Mennen Speed Stick Musk 2.5-oz	70,191	1.99	139,680
8	Lady Speed Stick Regular 1.5-oz	73,468	1.89	138,855
9	Lady Speed Stick Powder Fresh 1.5-oz	72,452	1.89	136,934
10	Secret Roll-On Regular 2.25-oz	41,940	2.99	125,401
11	Lady Speed Stick Musk 1.5-oz	61,067	1.89	115,417
12	Secret Solid Roll-On 3-oz	29,283	3.89	113,911
13	Ban Roll-On Deodorant Regular 1.5-oz	48,782	1.99	97,076
14	Dry Idea Roll-On Regular 2.5-oz	25,306	3.49	88,318
15	Sure Deodorant Regular 4-oz	34,924	2.29	79,976

MOUSSE AND GELS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Aqua Net Mousse 5-oz	72,115	1.19	85,817
2	Alberto Mousse Extra Control 5.5-oz	21,991	3.49	76,749
3	Clairol Mousse Extra Control 6-oz	43,373	1.59	68,963
4	Suave Mousse Extra Control 5-oz	32,821	1.99	65,314
5	Aqua Net Styling Gel Spray 8-oz	62,714	0.99	62,087
6	Dippity-Do Extra Hold 8-oz	21,381	2.88	61,577
7	Dep Styling Gel Super with Pump 8-oz	20,161	2.88	58,064
8	Perma Soft Mousse Extra Hold 5.5-oz	19,392	2.87	55,655
9	Breck Mousse Extra 5-oz	27,938	1.99	55,597
10	Clairol Mousse Normal 6-oz	32,921	1.59	52,344
11	Vidal Sassoon Mousse Full Body 8-oz	12,885	3.49	44,969
12	Suave Mousse Soft Control 5-oz	19,708	1.99	39,219
13	White Rain Mousse Extra Body 5-oz	24,015	1.59	38,184
14	Finesse Mousse Extra Control 5-oz	11,132	2.88	32,060
15	Vidal Sassoon Styling Gel 4-oz	9,008	3.49	31,438

BLADES AND RAZORS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Atra Cartridge 10's	79,035	4.99	394,385
2	Atra Cartridge 5's	112,370	2.69	302,275
3	Gillette Trac II Cartridge 9's	48,577	4.99	242,399
4	Gillette Trac II Cartridge 5's	65,867	2.79	183,769
5	Atra Plus 5's	58,758	2.89	169,811
6	Good News Razor 10's	50,449	2.93	147,816
7	Schick II Twin Cartridge 9's	30,804	4.69	144,471
8	Schick Plus Platinum Injector 7's	40,575	3.49	141,607
9	Personal Touch Refill Cartridge 4's	48,825	2.69	131,339
10	Gillette Super Stain Steel Dbl Edge 10's	30,646	3.99	122,278
11	Good News Razor 5's	67,530	1.69	114,126
12	Bic Shaver 5-Pack	122,746	0.79	96,969
13	Bic Shaver 10-Pack	57,997	1.39	80,616
14	Good News Razor 3's	65,641	1.19	78,113
15	Gillette Microtrac Razor 5's	64,549	0.99	63,904

TOOTHPASTE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Crest Tartar Control Toothpaste 6.4-oz	184,828	1.69	312,359
2	Aqua Fresh Toothpaste 6.4-oz	163,218	1.69	275,838
3	Crest Regular Toothpaste 6.4-oz	143,739	1.69	242,919
4	Crest Mint Toothpaste 6.4-oz	109,034	1.69	184,267
5	Crest Gel Toothpaste 6.4-oz	108,158	1.69	182,787
6	Crest Tartar Control Toothpaste 8.2-oz	72,717	2.49	181,065
7	Colgate Regular Toothpaste 7-oz	102,010	1.69	172,397
8	Crest Tartar Control Gel Toothpaste 6.4-oz	92,369	1.69	156,104
9	Crest Tartar Control Toothpaste 4.6-oz	98,861	1.39	137,417
10	Crest Regular Toothpaste 8.2-oz	50,016	2.49	124,540
11	Crest Tartar Control Pump 4.6-oz	69,210	1.69	116,965
12	Colgate Regular Toothpaste 9-oz	46,772	2.49	116,462
13	Gleem II Toothpaste 7-oz	52,435	1.99	104,346
14	Crest Tartar Control Pump 6.4-oz	41,287	2.49	102,805
15	Crest Tartar Control Gel 8.2-oz	40,994	2.49	102,075

MOUTHWASH

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Listerine Antiseptic 32-oz	211,370	3.59	758,818
2	Scope Mouthwash 24-oz	134,769	2.97	400,264
3	Scope Mouthwash 40-oz	53,935	4.97	268,057
4	Scope Mouthwash 32-oz	64,503	3.99	257,367
5	Listerine Antiseptic 18-oz	57,719	2.93	169,117
6	Signal Mouthwash 32-oz	49,295	3.19	157,251
7	Listerine Antiseptic 24-oz	47,196	3.29	155,275
8	Scope Mouthwash 18-oz	49,998	2.93	146,494
9	Listerine Antiseptic 12-oz	59,544	2.39	142,310
10	Scope Mouthwash 12-oz	57,216	2.39	136,746
11	Listerine Antiseptic 6-oz	64,044	1.69	108,234
12	Cepacol Mouthwash 24-oz	26,221	3.69	96,755
13	Scope Mouthwash 6-oz	49,189	1.69	83,129
14	Act Dental Rinse 12-oz	26,042	2.97	77,345
15	Listermint Mouthwash 24-oz	17,670	3.29	58,134

(Continued on page 39)

Popularity of Eye-Level Brake Lights Signals Extra Profit

Nationwide DSN Report

Eye-level, third brake lights enjoyed the single most dramatic unit sales increase on the annual product movement audit for automotive accessories during 1986, soaring to over 30,500 units from a mere 7,500 unit sales on the previous year's ranking.

Margins on the rear window light were estimated to be over 30% by distributor Allied Accessories & Auto Parts Co., representing a good profit opportunity.

The automotives aftermarket business remains dominated by motor oil and oil filter sales—commodity merchandise where margins have been eroded due to competitive promotions.

Turtle Wax, Armor All, Borden and Johnson exterior automobile treatments vied for sales during 1986 and resulted in some winners and some losers.

Sales of smaller containers of body treatment formulas were generally stronger than the higher fluid ounce bottles and tins. It appears car owners might be choosing to sample each product before committing themselves to a larger supply that could last through several applications.

The No. 3 listing, Armor All Protector 16-oz., showed a 50,000 unit plummet in sales between 1986 and 1985, and the 32-oz. size dropped nearly 10,000 units.

Smaller size containers, on the other hand, had a much better performance. The 8-oz. size, ranked No. 5, captured over 30,000 additional unit sales. Volume of Armor All Protector in the 4-oz. size rose by 1,000 units between the two years.

The trend toward smaller containers reversed itself on the Borden Raindance Paste line. The 14-oz. size, which ranked No. 8 on the 1986 listing, sunk 4,000 units under the previous year while the 16-oz. Raindance Liquid unit sales rose by about 2,000 units.

In most instances, halogen lights appear to be taking sales away from non-halogen sealed beams.

While the No. 2 ranked Model 6052 large, square sealed beam plummeted nearly by nearly 30,000 units from 1985 to 1986, the halogen model by the same vendor went up by about 4,000 units.

Sales of smaller containers of body treatment formulas were generally stronger than the higher fluid ounce bottles and tins.

Similarly, although the low, square sealed beam ranked higher—No. 11 on this year's chart—the halogen variety, No. 28, had higher sales between 1986 and the previous year.

The non-halogen model again dropped by about 30,000 units while the halogen type rose about 6,000 during that time frame.

The shift toward the halogen light, while resulting in an overall decrease in the number of units sold, is somewhat compensated by the higher margins. Non-halogens were estimated to generate margins in the teens or low 20's, while the halogen models netted closer to 30% margins.

The simple do-it-yourself (DIY) automotives market continued to be alive and well with oil filters, headlights, auto bulbs, mufflers and spark plugs holding about a third of the top spots. Unit sales of almost all of these auto accessory items experienced growth between 1985 and 1986.

Decoratives Rising

Decorative automobile accessory purchases continue to generate good margins and rising sales.

Plush and vinyl floor mat sales were up about 2,000 units in every color and style except the basic black. It would seem that if an automobile owner decided he wanted to protect the floor of his car, he would buy blue, gray or some other color that would add fashion as well as function to the interior.

Mats continue to help automotives department profits with margins nearing the 40% level.

The 1986 ranking had fewer running boards, window film kits and other decorative merchandise that had captured several of the previous year's top spots.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVES			
1	Ford Fila Motorcraft Oil Filter	169,339	2.99	506,324
2	Napic 6052 Sealed Beam, Large Square	60,484	7.99	483,267
3	Armor 16-oz Armor All Protector	58,465	6.99	408,670
4	Turtl Super Hrd Shell Paste 14-oz	84,131	4.69	394,574
5	Armor 8-oz Armor All Protector	116,926	3.29	384,687
6	Napic H6054 Halogen Seal beam, Lg Sq	23,882	15.99	381,873
7	Magnm Rear Window Brake Light W/Modu	30,596	11.99	366,846
8	Bordn Raindance Paste (Appl Pk) 14-oz	52,122	6.99	364,333
9	Magnm 1157 Auto Bulbs 2 on a Card	403,683	0.89	359,278
10	Gmout 7450 Jet Spray 13-oz	170,721	1.99	339,735
11	Napic 4652 Sealed Beam, Low Sq	64,509	4.99	321,900
12	AC-Del R45TS-8B Spark Plugs	32,236	9.69	312,367
13	Magnm 2 Ton Mini Hydraulic Floor Jck	6,869	44.99	309,036
14	Magnm Quartz Halg Fog Light Kit Amb	9,468	29.99	283,945
15	Quaker State Deluxe 10W40	226,156	1.23	280,207
16	Quaker State Sup Blnd 10W30	240,568	1.15	278,097
17	Bordn Raindance Liquid (Apl Pk) 16-oz	37,606	6.99	262,866
18	FRS-14 InterFreon 14-oz	200,537	1.29	258,693
19	Swiss 3431 Snowhite Lit 'N' Easy Gal	24,499	9.99	244,745
20	Magnm 15-in Wire Wheel Cover Ea	12,807	18.99	243,205
21	Napic 6014 Sealed Beam, Large Round	80,553	2.99	240,853
22	Gmout 7518 Carb Clean 12-oz	140,664	1.69	237,722
23	AC-Del PF-47 Oil Filters	65,987	3.49	230,295
24	Cstrl GTX 20W50 Qt Motor Oil	156,650	1.44	226,986
25	Ford E43Z-12A297A DY425 Module	3,194	68.46	218,674
26	Magnm Quartz Hal Driv Light Kit Cler	7,177	29.99	215,238
27	Qwarco 1002 Dot-3 Brake Fluid	54,667	3.89	212,654
28	Napic H4656 Halogen Seal Bean, Lq Sq	23,203	8.99	208,595
29	Bluec Westl Bleche-Wite-Liquid 20-oz	103,583	1.99	206,130
30	Pnzol Multi-Vis 10W40	147,227	1.28	187,862
31	Champ RV15YC4BP8 (RBL15Y4) Plg	19,208	9.69	186,126
32	Madco Wind Film Kit Smk 20-in x 10-ft	19,856	8.99	178,505
33	Uncrb Pres Heavy Duty Brake Fld 12-oz	89,090	1.99	177,289
34	STP Oil Treatment 15-oz	104,096	1.69	175,922
35	Magnm 194 Auto Bulbs 2 on Card	133,823	1.29	172,632
36	Armor 4-oz Armor All Protector	101,505	1.69	171,543
37	Pnzol Multi-Vis 10W30	146,868	1.17	171,395
38	Wd-40 Aerosol 9-oz	84,454	1.99	168,063
39	Radsp Gunk Engine-Brite Aero 20-oz	92,701	1.79	165,935
40	Ford FL400A Motorcraft Oil Filter	41,309	3.99	164,823
41	Truct One Piece Auto Ramp, Pair	9,150	17.99	164,609
42	Turtl Zip Wax Liq Car Wash 18-oz	59,757	2.69	160,746
43	Magnm Air Compressor W/Lite 225 Psi	6,419	24.99	160,410
44	Ac-Del PF-25 Oil Filters	45,658	3.49	159,346
45	Rberk 16-in Wiper Blade Refill	72,317	2.19	158,374
46	Texco Havoline Motor Oil 10W40 Qt	133,570	1.18	157,479
47	Magnm 2 Ton Hydraulic Floor Jack	5,196	29.95	155,620
48	Warco 1001 Dot-3 Brake Fluid 12-oz	103,644	1.49	154,430
49	Truct 4000 Lb Jack Stand, Each	30,911	4.99	154,246
50	Sctre Chamois 2½ Sq Ft	25,017	5.99	149,852
51	Pylon 1028 18-in Wiper Refills	78,899	1.89	149,119
52	Thrsh T-3154 Muffler	8,278	17.99	148,921
53	Magnm Air Compressor W/Guage	7,295	19.99	145,827
54	Pylon 1026 16-in Wiper Refills	77,090	1.89	145,700
55	Shalr 100QR Risione Oil Alloy 32-oz	51,243	2.79	142,968
56	Rberk 18-in Wiper Blade Refill	65,259	2.19	142,917
57	Magnm Antenna Sprng W/Booster 45-in	15,846	8.99	142,456
58	Bars C-16 Leak 12-oz (80)	56,159	2.49	139,836
59	Champ RN12YCBP4 Plg	27,774	4.99	138,592
60	AC-Del PF-35 Oil Filters	39,693	3.49	138,529
61	Thrsh 490 Turbo Muffler	9,817	13.99	137,340
62	Rberk 16-in Wiper Blades	62,695	2.19	137,302
63	Armor 32-oz Armor All Protector	13,691	9.99	136,773
64	Magnm Hi-Intnsty Fog Light Kit Amber	10,496	12.99	136,343
65	JWax Kit Paste Car Wax 12-oz	33,987	3.99	135,608
66	Snap Fix-A-Flat 12-oz	84,731	1.59	134,722
67	Spdcl B101BP Top Post Hd Term 1/Cd	111,174	1.19	132,297
68	Magnm 1156 Auto Bulbs 2 on Card	101,956	1.29	131,523
69	Magnm 13-in Wire Wheel Cover Ea	6,850	18.99	130,082
70	Sctre Chamois 4½ Sq Ft	11,749	10.99	129,122
71	Turtl Super Hard Shell Liquid 10.75-oz	38,963	3.29	128,188
72	FPinc Turbo-Jet Brush Kit	7,517	16.99	127,714
73	FPinc Pants-Saver Front Mat-Black	7,481	16.99	127,102
74	LF-1 FDI Lee Oil Filter	41,604	2.99	124,396
75	Rberk 18-in Wiper Blades	56,578	2.19	123,906
76	Magnm 1157NA Auto Bulbs 2 on Card	77,701	1.59	123,545
77	Uncrb Pres Heavy Duty Brake Fld 32-oz	24,415	4.99	121,831
78	Ac-Del PF-51 Oil Filters	34,716	3.49	121,159
79	Uncrb Prestone Super Flush 22-oz	40,317	2.99	120,548
80	Texco Multi-Service Grease 14-oz	86,135	1.39	119,728
81	Magnm Qrtz Fog Lite Blk Fbrgls Cs Am	3,304	35.99	118,911
82	Magnm 14-in Wire Wheel Cover Ea	11,898	9.99	118,861
83	Sctre Holland Chamois 4½ Sq Ft	11,750	9.99	117,383
84	TMP Instant Spare Tire Inflator 12	71,779	1.59	114,129
85	Univr 20-in Wheel Wrench	22,817	4.99	113,857
86	Atune Booster Cable Sleeved 12-ft 10G	15,185	7.49	113,736
87	TMP Heavy Duty Instant Spare W/Hse	49,448	2.29	113,236
88	Dibnt Dl Hand Cleaner Blu Label 14-oz	87,738	1.29	113,182
89	Rubqn Escort Carpet Twin Front Gray	5,382	20.89	112,430
90	Stwrt CD-2 Oil Detergent Black Label	46,937	2.39	112,179
91	FPinc Pants-Saver Front Mat-Gray	6,601	16.99	112,151
92	Champ N12YCBP8 Plug	12,313	8.99	110,694
93	Rubqn Promo Carpet Mat 4-pc Set Blue	7,364	14.99	110,386
94	AC-Del R44T-8B Spark Plugs	11,384	9.69	110,311
95	TMP Sandable Primer Grey	55,070	1.99	109,589
96	FPinc Pants-Saver Front Mat-Blue	6,427	16.99	109,195
97	Swiss 3305 Snowite Lite-N-Ez Qt Kit	21,754	4.99	108,552
98	Octan 104 Boost 12-oz	20,120	5.39	108,447
99	Anco Wiper Refill Pair 18-in	25,253	4.29	108,335
100	Cstrl GTX 10W40 Qt Motor Oil	77,203	1.40	107,930
101	Thrsh 491 Turbo Muffler	7,659	13.99	107,149
102	Sun Tachometer Super Tach II	2,137	49.99	106,827
103	Magnm 1000 Mini Triple Gauge Kit	7,042	14.99	105,559
104	AC-Del R45TSX-8B Spark Plugs	10,861	9.69	105,243
105	Lubmt Midget Grease Gun Kit	13,137	7.99	104,964
106	Anco View Pk Wiper Blade 18-in	23,664	4.39	103,884
107	Lubmt Multi Service Grease 3/Tube 3-oz	40,091	2.59	103,835
108	Pnzol Z-7 30W	93,659	1.10	102,837
109	Intar AC Rechrge Kit W/Red Dye Freon	14,836	6.89	102,220
110	Fpinc Pants-Saver Front Mat-Burgundy	5,972	16.99	101,464

Source: Allied Accessories and Auto Parts, distributor, Madison Heights, Mich., for the year ended January 1987. The company services more than 2,500 retailers, primarily discounters.

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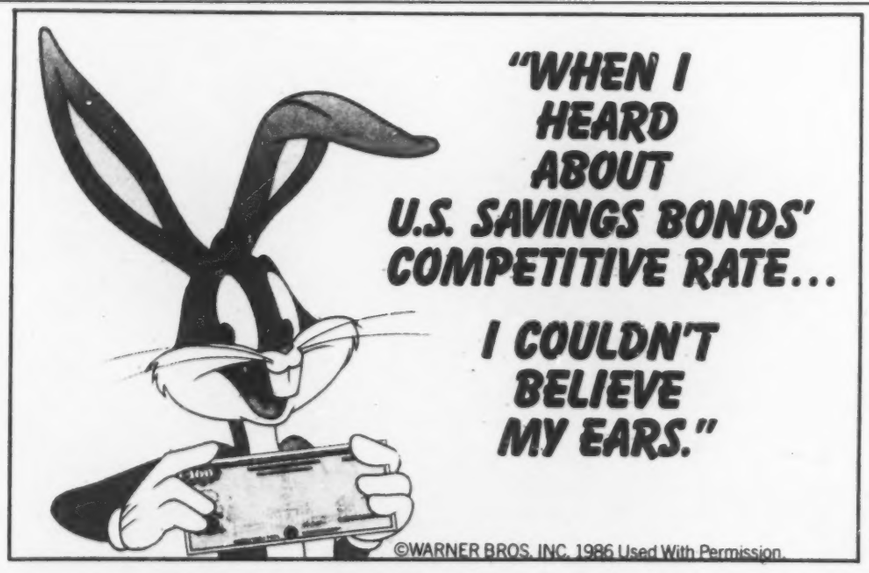
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Retailers Now Call Shots in Market With More Toys Available Sooner

By Jeffrey C. Kasch
President,
M.W. Kasch Company

It will be a challenge this year to maximize the potential in toy volume due to the current uncertainty over which products will emerge to drive the business in the fourth quarter, as well as a flood of choices available to distributors and retailers.

A major change occurring this year in the industry is that it is becoming much more buyer/merchant-driven, rather than manufacturer-driven, thanks to the varied choices of product available at earlier dates, allowing retailers much more flexibility.

Toy manufacturers have been heavily involved in shipping products to distributors and retailers since January. There has been more toy business in the first eight weeks of this year than ever before.

However, it seems that the hot product for Christmas 1987 will surface later than in the past. There is no consensus at the moment over which product and/or category will drive the business.

At the current time, the hot sellers for us are: G.I. Joe, low-end Transformers retailing for under $10, Silverhawks, Ghostbusters, Barbie Rockers, Pogo Bal, Sweet Secrets Jewelry and board games in general. On the other hand, the not-so-hot products at this moment are Lazer Tag, Pound Puppies, Mask and Captain Bravestar.

Unfortunately, what is selling right now has no bearing on what will be the true winners of 1987. Nevertheless, I believe the two hottest categories for 1987 will be the interactive television toys and the video game business. At this moment, Atari, Sega and Nintendo are doing very well for us and I believe, despite Atari's low movement in 1986, that it will be one of the top 10 movers in 1987.

As for Christmas 1987, I predict the hot products to be a combination of basic product such as Barbie, G.I. Joe, Transformers, board games, as well as the play food and preschool categories.

It seems that the "back to the basics" atmosphere that pervaded the toy industry in 1986 is continuing in 1987. More consumers are becoming price conscious and seeing better value for their money in basics. At the same time, retailers are seeing more margin return with basic product.

Plush Will Grow

Pricing is far more elastic on non-name branded plush than on highly recognizable toys. In 1987, there will be a 50% increase in volume in the traditional plush category. There will also be renewed interest in Disney plush toys.

Board games came to life in the third and fourth quarter of 1986, and this year we can look for a 30% to 40% increase in the category. There is also a steady rebuilding of interest in preschool, and I expect a 20% increase in that category this year.

Lazer Tag, the hottest product of Christmas 1986, was not our No. 1 mover for the year due to its being shipped late and in small quantities. Instead, talking Teddy Ruxpin took the lead for the year. In 1987, I do not think the talking plush category will generate as many total dollars as it did last year.

Pound Puppies also did extremely well for us in 1986. It was just a very clever concept introduced upon the heels of the Cabbage Patch success "to adopt a puppy." It was also cleverly packaged. However, the category is currently falling asleep on us and I think this item has run its course. Contrary to what many may believe, Cabbage Patch, on the other hand, is alive and well as indicated by its movement in 1986. In 1987, Cabbage Patch kids will grow by 10% to 20% depending on whether the talking Cabbage Patch introduced this year sells well.

It will continue to be a relatively cautious year, however, in terms of high price promotional merchandise. I do not believe the $100 talking dolls with artificial intelligence will be successful this year. No one has taken an upfront position with them yet.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	TOYS			
1	Worlds of Wonder Talking Teddy Ruxpin	27,000	59.99	1,619,730
2	Bontempi B/O 12-Key Organ	39,000	16.99	662,610
3	Pressman Wheel of Fortune	52,000	11.99	623,480
4	Tonka Pound Puppies Asst	34,000	17.99	611,660
5	Cuddlewit Mini Yuppy Puppy	135,000	3.99	538,650
6	Coleco 16" Cabbage Patch Kids	26,000	19.99	519,740
7	Tonka Newborns Pound Puppy Asst	57,000	7.99	455,430
8	Buddy L Phaser Force Battle	18,000	24.99	449,820
9	Vid-Tech Whiz Kid	8,000	49.99	399,920
10	LJN Toys Wrestlers - Good Guys	48,000	7.99	383,520
11	Eagle Rubber 9 In Glo Playballs	362,000	0.99	358,380
12	Sportcraft Soft Touch Dart Board	35,000	9.99	349,650
13	Fisher-Price The Puffalumps Asst	15,000	19.99	299,850
14	Vid-Tech Lesson One	7,000	39.99	279,930
15	Worlds of Wonder Lazer Tag Game Kit	7,000	39.99	279,930
16	Fisher-price Main Street Playset	14,000	19.99	279,860
17	Hasbro Transformer Special Team	55,000	4.99	274,450
18	Galoob Baby Talk	3,900	69.99	272,961
19	Kenner Chuck Norris Kommandos	40,000	5.99	239,600
20	Fisher-Price Magic Vac	14,000	16.99	237,860
21	Galoob Sweet Secrets Jewelry	59,000	3.99	235,410
22	Hasbro G.I. Joe Devilfish	39,000	5.99	233,610
23	Hasbro Transformer Autobot Mini Vehicles	78,000	2.99	233,220
24	Worlds Wndr Books/Tapes Teddy Ruxpin	19,000	11.99	227,810
25	Playskool Alphie (TVF)	9,000	24.99	224,910
26	Bradley Scruples	15,000	14.99	224,850
27	Hasbro G.I. Joe Figure Asst	75,000	2.99	224,250
28	Marchon Talk-To-Me-Teddy	7,000	29.99	209,930
29	Kenner Thunder Hawk Camaro	16,000	12.99	207,840
30	Hasbro Little Pony Baby Ponies	26,000	7.99	207,740
31	Kenner M.A.S.K. '57 Hurricane	12,000	16.99	203,880
32	Nikko RDC Jet Panther	5,000	39.99	199,950
33	Hasbro Cobra Night Raven	8,000	24.99	199,920
34	Hasbro Transformer Special Teams	18,000	10.99	197,820
35	Hasbro G.I. Joe H.A.V.O.C.	15,000	12.99	194,850
36	LJN Toys Thumb Wrestlers	38,000	4.99	189,620
37	Amtoy My Pet Monster	7,000	26.99	188,930
38	Cricket $5.95 Jumbo Coloring Book	142,000	1.29	183,180
39	Vid-Tech Learning Window	3,000	59.99	179,970
40	Hasbro Watchimal Asst	20,000	8.99	179,800
41	Hasbro Transformer Metroplex	5,000	34.99	174,950
42	Hasbro Transformer Autobot Ultra	7,000	24.99	174,930
43	Baden "Rainbow" Mini Basketball	25,000	6.99	174,750
44	Hasbro G.I. Joe A.W.E. Striker	17,000	9.99	169,830
45	Chosun Heart-To-Heart Bear	6,000	27.99	167,940
46	Coleco 12 In Cabbage Patch Babies Asst.	6,000	27.99	167,940
47	Playskook My Buddy	6,000	27.99	167,940
48	Coleco Rambo Good/Bad Figures	28,000	5.99	167,720
49	Ohio Art Animated Etch-A-Sketch	3,000	54.99	164,970
50	Ohio Art Etch-A-Sketch	16,000	9.99	159,840
51	Hasbro Jem/Jerrica Fashion Doll	13,000	11.99	155,870
52	LJN Toys Thundercats Figure Asst	26,000	5.99	155,740
53	Mattel Medium Plush Poppies	9,000	16.99	152,910
54	Kenner M.A.S.K. Firefly	19,000	7.99	151,810
55	Matchbox Rubiks Magic Puzzle	19,000	7.99	151,810
56	Amtoy Madballs	38,000	3.99	151,620
57	Worlds of Wonder Talking Grubby	3,000	49.99	149,970
58	Coleco Cabbage Patch Cornsilk Kids Asst	5,000	29.99	149,950
59	Galoob Flex Power Machine	6,000	24.99	149,940
60	Lakeside 17 In Wrinkles	6,000	24.99	149,940
61	Mattel Rockers Barbie Doll	15,000	9.99	149,850
62	Parker Monopoly	14,000	9.99	139,860
63	Kenner Play-Doh 4-Pack	55,000	2.49	136,950
64	Hasbro Little Pony Twinkle-Eyed Asst	27,000	4.99	134,730
65	Hasbro Transformer Dinobot Asst	11,000	11.99	131,890
66	Worlds Wndr Teddy Ruxpin Cost Asst	10,000	12.99	129,900
67	Hasbro G.I. Joe Cobra S.T.U.N.	13,000	9.99	129,870
68	Hasbro G.I. Joe Tomahawk w/Figure	7,000	17.99	125,930
69	Kenner Fluppy Dogs	5,000	24.99	124,950
70	Panosh Laser Combat Challenge	3,000	39.99	119,970
71	Fisher-Price Farm Playset	6,000	19.99	119,940
72	LJN Toys Wrestling Ring	6,000	19.99	199,940
73	S & R Trivial Pursuit	6,000	19.99	119,940
74	Tonka Newborns Puppy Pack	6,000	19.99	119,940
75	Fisher-Price Bubble Mower	8,000	14.99	119,920
76	Fisher-Price Power Workshop	8,000	14.99	119,920
77	Fisher-Price Toddler's Kitchen	8,000	14.99	119,920
78	Bradley Pig Pong	10,000	11.99	119,900
79	Hasbro Little Pony So Soft Pony Asst	24,000	4.99	119,760
80	Playskool Sesame St Busy Poppin' Pals	9,000	12.99	116,910
81	Kenner Vampire Venom	19,000	5.99	113,810
82	Hasbro G.I. Joe Dreadnok Thunder	11,000	9.99	109,890
83	Parker Nerf Indoor Golf	6,000	17.99	107,940
84	Bradley Life	9,000	11.99	107,910
85	Hasbro Transformer Triple Changer	9,000	11.99	107,910
86	Parker Clue	9,000	11.99	107,910
87	S & R Scrabble	12,000	8.99	107,880
88	Parker Clue (VHS) VCR Game	3,000	34.99	104,970
89	Bradley Bed Bugs Game	8,000	12.99	103,920
90	Hasbro G.I. Joe Conquest X-30	8,000	12.99	103,920
91	Kenner M.A.S.K. Raven Corvette	8,000	12.99	103,920
92	Hasbro Little Pony Flutter Ponies	23,000	4.49	103,270
93	Kenner M.A.S.K. Firecracker	6,000	16.99	101,940
94	Kenner M.A.S.K. Condor Cycle	17,000	5.99	101,830
95	Fisher-Price Creative Music Maker	5,000	19.99	99,950
96	Hasbro Transformer Autobot Vehicle Asst	9,000	10.99	98,910
97	Hasbro Serpentor The Cobra	16,000	5.99	95,840
98	Mattel Tropical Barbie	16,000	5.99	95,840
99	Atari Video Game System	2,000	44.99	89,980
100	Fisher-Price Tape Recorder	2,000	44.99	89,980

Source: M. W. Kasch Company, Mequon, Wis., for Jan. 1 to Dec. 31, 1986 period, covering 1,700 stores, including approximately 765 discount and specialty discount stores, in 12 Midwestern states.

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Balmy Clime Melts Winter Sports; Nurtures Early Spring Sales

By Frank Katlin
Vice Chairman,
Maurice Sporting Goods

An unusually mild winter short-circuited what had seemed to be a most promising year in sporting goods sales, but that same balmy weather should add up to strong spring sales. In total, 1986 can only be looked at as marginally successful, due mainly to collapsing sales in the Christmas season, as skis and cold weather apparel performed poorly.

That was on top of a flat (or slightly down) fall hunting season, so the cumulative effect, after a strong spring and summer, was a modest 5% to 7% rise in retail sales. Tough competition and a lack of new products in the hunting market have resulted in retailers reducing floor space in the category, which has historically been of marginal profitability for discounters.

Market Levels Off

What Christmas sales there were were bolstered by strong rower and treadmill sales, highlighted by the performance of three machines at promotion prices. The Weslo Dual Action rower at $100, the AJ 5000 treadmill at $200 and the Precor 615E rower at $299 all sold very well at retail.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	FISHING			
1	Berkley Lightning Rods	144,000	39.99	575,856
2	Keeper Bait Fish Formula	109,000	4.99	543,910
3	Dupont Stern Line	83,000	5.99	497,170
4	Zebco Classic S.C. Reel	20,100	21.99	441,999
5	Plano 3 Tray Tackle Box 6303/7303	33,200	12.99	431,268
6	Zebco S.C. Kit 1245	31,800	12.99	413,082
7	Zebco 33 CP Reel	24,900	14.99	373,251
8	Sluth Bend C105/0112 Kit	34,700	9.99	346,653
9	Shakespeare FSP Series	29,800	9.99	297,701
10	Kwik Stix 1300 Series Rods	32,800	8.99	294,872
11	Ryobi VMAG3 Reel	10,200	25.99	265,098
12	Techsonic LCR	1,760	149.99	263,982
13	South Bend Spin Kit C305	25,265	9.99	252,397
14	Johnson 225 Reel	16,400	12.99	213,036
15	Daiwa PMAIOS Reel	4,100	49.99	204,959
	FIREARMS			
1	Marlin Rifle W/Scope	12,868	89.99	1,157,991
2	Marlin 30AB Rifle	4,530	179.99	815,355
3	U.S.R.A. Shotgun 120385	3,620	189.99	687,763
4	Remington 700 Rifle	1,500	349.99	524,985
5	Ruger 10/22 Rifle	3,400	129.99	441,966
	ATHLETIC & HUNTING ACCESSORIES			
1	Bear Archery Compound Bows	1,525	99.99	152,485
2	Crossman Air 17CL BB Gun	3,200	44.99	143,968
3	Mini Mag Lite MMC	11,850	9.99	118,381
4	Tinks Deer Scents	10,500	9.99	104,895
5	Koplin Hot Seats	21,000	4.99	104,790
6	Schrade Knife LB7	3,300	29.99	98,967
7	Trophy Club 304 Coverall	3,100	29.99	92,969
8	Crossman Air 760 BB Gun	2,280	34.99	79,777
9	Hoppe Gun Cleaning Kits	7,480	8.99	67,245
10	E.Z. Mt Gun Rack	5,300	7.99	42,347

Source: Maurice Sporting Goods, Chicago, for calendar 1986. Maurice supplies 25,000 sporting goods outlets, 72% of them discount stores, in 45 states. Prices reflect average price points of discount clients.

However, with increased competition and lower margins, the exercise market as a whole has leveled off.

Growth in 1987 will be in the outdoor sports market, particularly in fishing and camping gear. With extraordinarily mild late winter and early spring weather around most of the United States, sales in these two categories, as well as in most other outdoor activities, have taken off. Camping equipment has shown the most impressive gains in recent years, and shows no sign of slowing down. Young people are flocking to outdoor activities in record numbers, and that shift has resulted in strong sales of cabin tents and sleeping bags.

Mini Team Games Trend

There has also been a strong trend toward "mini" team games like Tee ball and mini basketball, and aluminum baseball and softball bats are doing extremely well.

The mild winter has also benefited fishing equipment, which will be a leader in strong spring sales. Among the products I expect to perform well are three promotionally priced reels:

- Johnson Crappie Pro Reel—promotionally priced at $11.99;
- Daiwa Strike Gold Reel—$24.99;
- Zebco 33—featured on rebate at $9.99.

Two tackle boxes at promotional prices should also do well: the Plano Mini-Phantom at $19.99 and the Plano 707 23-compartment box at $19.99 to $24.99.

In general, racquet sports have become very slightly profitable staples, and I don't see them going radically up or down in the near future. Racquetball, in particular, is very nearly a dead issue as the construction of new courts continues to slow down.

Tough Foreign Competition

The meteroic upswing in recent years of exercise equipment was so remarkable that it had to cool off eventually, and it did in 1986. There is simply too much product on the market. A combination of price pressure, a flood of duplicate equipment and tougher foreign competition, which has reduced prices precipitously in the past two or three years, effectively leveled profitability at retail. For example, the equivalent of an exercycle selling for $300 two years ago can be had, via Taiwan, for $49 in many discount stores. The sales were still there, but the impressive growth of the early 80's is over.

On the other hand, the growing preference among young people for activities that keep them outside is good news for retailers; most outdoor sports equipment is nowhere near peaking and remains very profitable.

Discounters Capture 15.4% of $25.3 Billion H&BA Market

(Continued from page 32)

strong basic and promotional sales already being recorded. LaMaur, maker of our No. 1 conditioner, Perma Soft, will launch another high ticket brand, Textra in the fall. Helene Curtis has introduced Salon Selectives to go after the lucrative beauty shop business. Procter's restaging of Pert should work well. The brand will be the first to boast silicon conditioners, touted as the technological breakthrough of the 80's.

The mousse category has leveled off ,and we recommend buyers cut back on sku's while sales are still reasonably high. Aqua Net took the No. 1 position, followed by Alberto. Clairol jumped from nowhere to No. 3 and No. 10, making it our top gainer.

While gels and fixatives are on the rise, be careful not to over-sku as this growth will be far less dramatic and short-lived than that of the mousse segment.

The $1 billion dentifrice category saw tartar control toothpaste take over seven of the top 15 positions last year, with Crest gaining back lost market shares from Colgate. As expected, Colgate introduced its own tartar control toothpaste, but could not keep up with the demand. As production gears up, Colgate will gain some share back, but will not, in all probability, be able to catch up with Crest's commanding lead.

The blade category, which had been experiencing a cannibalization of dollar profits by a swing to the low end disposable segment (similar to that of shampoos), saw a resurgence of the high end business as Atra took the No.1 and No. 2 positions and Trac II landed in No. 3 and No. 4. Disposables took a total of six spots on the PMA. In 1987, we expect Atra Plus to continue to surge toward the top while the competition at the low end, between Gillette, Bic and Schick, intensifies.

The $1 billion dentifrice category saw tartar control toothpaste take over seven of the top 15 positions.

The contraception category is expected to be our largest percentage gainer this year as condom sales continue to explode. Hyped by publicity surrounding the AIDS controversy, distribution of condoms has expanded rapidly among most mass merchandisers.

Another major growth area in 1987 will be the incontinent category. Incontinence presently affects 10 million Americans. With the over-50 population growing twice as fast as the total population and with exorbitant cost of hospital care and nursing homes, the category is expected to grow from $92 million in 1986 sales to over half a billion dollars by 1990. Kimberly-Clark's Depend will come up against Procter and Gamble's Attend and Personal Products' Surety this year.

The H&BA industry growth has traditionally been driven by new product introductions. In 1987, this basic tenet of our business is in jeopardy. Most vendors have found that it is more expedient and economical to attain market share by purchasing brands or entire companies as opposed to launching new products.

Revlon bought Barnes-Hind and Max Factor; Lever Brothers has taken over Chesebrough-Pond's, and Procter & Gamble bought Vicks and its Olay, Nyquil, Sassoon and Pantene brands. As the trend continues, more dollars will be spent on Wall Street instead of on Madison Avenue.

Sales increases will be harder to come by in the future as a result.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	BAR SOAPS			
1	Dial 4-Pack 5-oz	81,649	1.99	162,482
2	Zest 1 Free with 3 5-oz	74,916	1.99	149,083
3	Coast Bath 5-oz	215,438	0.69	148,652
4	Zest Bath Size 5-oz	253,296	0.58	146,912
5	Dove Bath 4¢ Off 4.75-oz	155,592	0.87	135,365
6	Dove Bath White 4.75-oz	154,520	0.83	128,252
7	Dove Bar 69¢ Prepriced 3.5-oz	185,760	0.64	118,886
8	Ivory Personal 4-Pack	120,134	0.97	116,530
9	Coast Bath 1 Free with 3 5-oz	57,656	1.99	114,735
10	Ivory 4-Pack 12¢ Off 3.5-oz	101,340	0.99	100,327
11	Dial 1 Free with 3 3.5-oz	56,484	1.49	84,161
12	Safeguard Bath Size	106,273	0.69	73,328
13	Safeguard 1 Free with 3 5-oz	35,370	1.99	70,386
14	Irish Spring 1 Free with 3 5-oz	24,661	1.89	46,609
15	Zest Bath 8-Pack 5-oz	9,288	4.89	45,418

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	COLD PRODUCTS			
1	Nyquil Nightime Medicine 10-oz	39,224	5.79	227,107
2	Nyquil Nightime Medicine 6-oz	49,800	3.69	183,762
3	Afrin Spray 15-cc	49,282	3.29	162,138
4	Sudafed Tablets 30 mg 24's	59,509	2.69	160,079
5	Alka Seltzer Plus 36's	30,432	4.59	139,683
6	Dristan Tablets 50's	20,554	6.49	133,395
7	Alka Seltzer Plus 20's	45,837	2.79	127,885
8	Actifed Decongestant Tablets 24's	31,616	3.89	122,986
9	Halls Mentholyptus Bag 30's	121,248	0.99	120,036
10	Dristan Tablets 24's	30,866	3.79	116,982
11	Drixoral 12 Hour SA Tablets 10's	34,806	3.19	111,031
12	Comtrex Cold Tablets 24's	28,763	3.79	109,012
13	Halls Cherry Bag 30's	104,252	0.99	103,209
14	Coricidin D Tablets 24's	28,741	3.79	108,928
15	Dimetapp Extentabs 12's	24,578	3.39	83,319

Source: Boston Distributors, Maple Heights, Ohio, for January through December, 1986. The company supplies 1,200 stores, including over 650 discount stores in 23 states. Average retail prices reflect typical price points for mass merchandisers.

STATIONERY HARD LINES

Home Office Leads 24% Stationery Growth as Promos Increase

By Charles Bowlus
Executive Vice President, Sales, Boston Distributors

The stationery, school supplies and home office product department enjoyed a 24% increase in sales at Boston during 1986.

Home office led this growth as many of our customers expanded departments and improved promotional programs. Vendors boosted marketing support via product development and packaging, adding to these substantial gains.

Mead Products made the greatest inroads in the flat office category by introducing the Cambridge line. While the paper line was brought out late in the year, Cambridge quickly jumped onto the Product Movement Audit charts with six sku's.

The total Cambridge program can be merchandised in 6 ft. to 8 ft. and so far it seems the consumer is willing to pay the higher price.

Mead's Matrix line of bulk office supplies should help discounters compete with the wholesale clubs on the top volume commodity items. But the product is not for every retailer since the supplies are packaged for office use.

Esselte led file accessories with seven PMA rankings. A hanging file folder in a 10-pack took the No. 1 spot and the complete system ranked No. 2. The vendor's line of color-coordinated office accessories and files dominated the file category with six sku's on that PMA.

The company recently introduced pastels in file cabinets, decofiles and decoracks and merchandises these effectively beside similarly-colored W.T. Rogers accessories.

The biggest news in the file and accessory category this year, however, is the Rubbermaid line. Superior products and packaging will help the retailer get top dollar on the recently introduced line.

Discounters with limited space should go with a 4-ft. Rubbermaid section, but an 8-ft. stretch will maximize the impact and sales potential.

The step-up in product quality and cost being enjoyed in the office area has also been experienced in the flat school market segment. Mead's 5 Star and Glare Care lines both did extremely well last year, attaining five spots on our PMA between them.

The only licensed school paper item that made it to the top ranks was the Peanuts ABC tablet. As most licensed lines are weeded out of the school paper assortments due to low sales, Peanuts has remained strong. Ranked No. 7, the tablet generated nearly $25,000 in retail sales last year.

Endcap displays from August through April are recommended as the strong packaging will push through the products at reasonable margins and high dollar-per-unit profit.

Commodity goods were led, of course, by wide margin filler paper in the 200-ct. package, followed by the narrow rule 200-ct. paper.

Merchants who support a strong basic presentation with promotions including endcaps and print ads will achieve record sales in 1987.

Prices on commodity stationery lines like these are expected to be considerably higher this year at both the manufacturer and retail levels due to the higher price of paper.

Writing instruments were led by Faber's 10-pack pencils, generating $138,969 in sales last year. Crayola took four of the top 15 rankings with its broad, fine and two Lite Brite tip selections. Bic's 10-packs held five of the top spots.

Trapper Keeper binders were far and away the best sellers in that category. Model 29096 generated nearly $150,000 in retail dollars and Model 24100 just topped $100,000. The No. 3 best seller was the Flex 3 notebook with pad, accounting for about $57,000 last year.

File boxes were led by the Rockaway security chest Model H300, responsible for over $28,000 in sales during 1986. The Rockaway cash box and bond box also made the top 15 listing.

The No. 2 file box was the Oxford Keep It File with over 1,000 units sold for a total of nearly $24,000 retail dollars last year.

The products available today in the school and home office categories enable the retailer to create a department with an impact to generate significant new sales.

I believe merchants supporting a strong basic presentation with promotional programs, incorporating endcaps and print ads will achieve record sales levels in 1987.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
OFFICE SUPPLIES				
1	System Clasp Envelope 9 x 12 25 Count	12,372	1.97	24,373
2	Cambridge Steno Book	12,826	1.79	22,959
3	System Clasp Envelope 10 x 13 76022	11,351	1.97	22,361
4	System Clasp Envelope 6 x 9	10,624	1.97	20,929
5	Cambridge Stiff Back Legal Pad	11,394	1.79	20,395
6	Cambridge Stiff Back Quad Rule	10,511	1.79	18,815
7	Mead Wire Index Card 4 x 6	16,788	1.07	17,963
8	Cambridge College Notebook Stiff	9,818	1.81	17,771
9	Mead Wire Index Card 3 x 5	19,859	0.89	17,675
10	Office Buddy Square Labels	14,843	1.19	17,663
11	Dome Weekly Bookkeeping Record 600	2,304	6.97	16,059
12	Office Buddy Colored Stars	13,402	1.19	15,948
13	Office Buddy White Labels	12,204	1.19	14,523
14	Cambridge Analysis Pad 13 Column	4,127	3.49	14,403
15	Cambridge Analysis Pad 6 Column	7,232	1.79	12,945
FILE BOXES				
1	Rockaway Security Chest H300	1,927	14.87	28,654
2	Oxford Keep It File	1,008	23.79	23,980
3	Rockaway Cash Box H260	1,782	10.29	18,337
4	Sentry Fire Chest 1100	572	27.95	15,987
5	Esselte File It Yellow	1,227	12.97	15,914
6	Esselte File It Brown 40788	1,010	14.87	15,019
7	Rockaway Bond Box	1,414	9.29	13,140
8	Steno Desk Tray with Cutout	4,710	2.79	13,136
9	Mead 21 Pocket Expand File 35280	2,561	4.98	12,754
10	Esselte Pend Deco Flex	1,643	7.67	12,602
SCHOOL PAPER				
1	Mead Filler Paper Wide 200 0215	269,963	0.59	159,278
2	SF Filler Paper Narrow 200 10203	98,328	0.59	58,014
3	Theme Book Wide Margin 10½ x 8	77,749	0.49	38,097
4	Glare Theme College 3 Subject 150 Count	13,178	2.19	28,860
5	Five Star Theme 100 College 9 x 6	18,482	1.49	27,538
6	Five Star Theme 3 Subject 150 11 x 8	8,416	3.19	26,847
7	Peanuts ABC Tablet	27,748	0.89	24,696
8	Mead Theme Varsity 100 Count	16,351	1.19	19,458
9	Five Star Theme 5 Subject 200 11 x 8	4,839	3.97	19,211
10	SP Theme Wide 5 Subject 200 Count	11,654	1.63	18,996
11	Mead Color Talk Theme 120 Wide 10 x 8	20,961	0.89	18,655
12	Five Star Theme 2 Subject 100 Count	9,387	1.97	18,492
13	Mead Scribble Tablet 150 Count 57202	9,957	1.79	17,823
14	Mead Book of Colors 9 x 12	8,990	1.97	17,710
15	Data Theme College 3 Subject 150 Count	13,008	1.19	15,480

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
WRITING INSTRUMENTS				
1	Faber 10 Pack Pencil Pegged	235,078	0.59	138,696
2	Crayola Markers Broad	25,920	2.39	61,949
3	Crayola Marker Fine	25,500	2.39	60,945
4	Bic 10 Pack Biro Blue Medium	45,665	1.19	54,341
5	Papermate 10 Pack Pens Med Blue	35,935	1.19	42,763
6	Papermate 10 Pack Pens Med Black	34,225	1.19	40,728
7	Faber 20 Count Pencils Seconds	51,936	0.76	39,471
8	Carter Marks-A-Lot Black	66,767	0.59	39,393
9	Bic Biro 10 Pack Black	28,449	1.19	33,854
10	Bic Pens Blue 10 Pack	27,077	1.19	32,222
11	Bic Pens Black 10 Pack	25,798	1.19	30,700
12	Crayola Lite Brite Broad	13,669	2.19	29,935
13	Crayola Lite Brite Fine	12,396	2.39	29,626
14	Bic Four Color Pen	16,453	1.49	24,515
15	Papermate Power Point Profile Slim	9,737	2.30	22,395
FILE ACCESSORIES				
1	File Folder Hanging 10 Pack	7,829	5.97	46,739
2	File Folder System Assort Hanging	3,685	10.49	38,556
3	File Folder 1/3 cut 12	10,972	1.19	13,057
4	Esselte 48 Count File Folder	2,854	4.55	12,986
5	Red Wallet Envelope 10 x 15	13,018	0.98	12,758
6	Red Wallet Envelope 9 x 11	13,196	0.93	12,272
7	Red Wallet Envelope 4 x 10	12,549	0.69	8,659
8	Esselte File Folder 1/3 Colored 15 Count	2,093	1.88	3,935
9	File Folder 1/3 Cut Legal	1,934	1.49	2,882
10	Hanging File Folder 20 Count	887	0.49	435
BINDERS AND PORTFOLIOS				
1	Trapper Keeper Binder 29096	27,211	5.29	143,946
2	Trapper Keeper Designer Binder 24100	20,000	5.29	105,800
3	Flex 3 Notebook with Pad	10,745	5.29	56,841
4	Mead Super Shades Binder	8,627	5.29	45,637
5	Data Center Binder 29300	7,259	5.29	38,400
6	Organizer Binder 29400	5,874	5.29	31,073
7	Duo Report Cover 3-Hole 2 Pack 54128	93,396	0.29	27,085
8	Scholar Set Binder File	4,152	5.29	21,964
9	Mead 5 Star Binder	3,994	5.29	21,128
10	Major 1½-In. Canvas Binder Clear	7,824	2.68	20,968
11	Trapper Portfolio 2 Pocket 33150	42,387	0.49	20,770
12	Duo Report Cover 2 Pocket 50825	95,891	0.21	20,137
13	Trapper Portfolio Fashion 33102	29,973	0.59	17,684
14	Stacco Arranger Binder	2,096	7.84	16,433
15	K&M Binder Slant Vinyl 1½	2,903	5.29	15,357

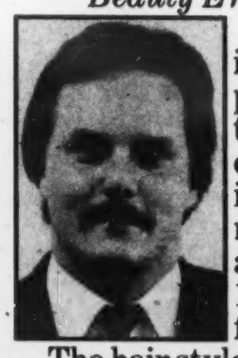
Source: Boston Distributors, Maple Heights, Ohio, for January through December, 1986. The company supplies 1,200 stores, including over 650 discount stores, in 23 states. Average retail prices reflect typical price points for mass merchandisers.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	ETHNIC HEALTH AND BEAUTY AIDS			
1	Soft Sheen Care Free Instant Moist 8 oz	489,562	3.65	1,786,901
2	Soft Sheen Care Free Instant Moist 16 oz ...	271,810	6.53	1,774,919
3	Gentle Treatment Kit Original	143,777	8.96	1,288,242
4	Soft Sheen Care Free Curl Activator 8 oz ...	318,069	3.96	1,259,553
5	Dark & Lovely Relaxer Kit #420	151,088	7.39	1,116,540
6	Right On Curl Activator 8 oz	265,860	3.38	898,607
7	Soft Sheen Care Free Curl Activator 16 oz ..	120,498	7.16	862,766
8	Luster S-Curl Kit Original	87,804	8.96	786,724
9	Revlon Relaxer Kit Regular	78,061	8.09	631,513
10	Luster S-Curl Activator 8 oz	149,086	4.01	597,835
11	Right On Instant Moist 8 oz	165,083	3.56	587,695
12	TCB Hair & Scalp Conditioner 8 oz	147,787	3.83	566,024
13	Right On Curl Activator 16 oz	87,199	6.48	565,050
14	STA Sof Fro Spray Dry 8 oz	158,356	3.45	546,328
15	TCB Oil Sheen 13 oz	130,471	3.83	499,704
16	World Of Curls Activator Gel Reg 6 oz	146,954	3.38	496,705
17	Cream Of Nature Relaxer Kit Regular	61,581	8.06	496,343
18	Soft Sheen Care Free Curl Snap Back 6 oz ..	178,924	2.69	481,306
19	Dark & Lovely Excelle Kit	52,041	8.96	466,287
20	Dark & Lovely Relaxer Plus	61,673	7.39	455,763
21	Revlon Relaxer Kit Super	55,550	8.09	449,400

Source: Beauty Enterprises, Hartford, Conn., distributor of ethnic health & beauty aids to over 3,000 domestic accounts, about 20% discounters. Avg. retail prices represent 10% decreases in manufacturers' suggested retail.

Hair Relaxer Preparations to Propel Growth in Ethnic Beauty Aids Market

By Rocky Piccirillo
VP, Operations
Beauty Enterprises



The growth in ethnic hair preparations this year will continue to be in relaxer formulas, a trend apparent in the 1986 shipment figures.

The hair styles requiring relaxer use were reincarnated late in 1984 and continue to grow in popularity.

While Gentle Treatment and Dark & Lovely captured the No. 3 and No. 5 spots, with $1,775,000 and $1,117,000 in annual sales, other emerging brands such as Cream of Nature, Soft & Beautiful and Excelle by Dark & Lovely are coming on strong.

Many products born from the curl generation are being used as maintenance items on natural hair styles. Gel activators, as an example, originally were used to bring curly permed hair back to life.

Gels survived the transition from the curly to the straight look and their popularity grows. Worlds of Curls and Long Aid will dominate gels.

The less-greasy consistency of gel formulations also spurred the newest surge of products called "lite."

Lite products originally were launched by Soft Sheen Products in mid-1984 but have not caught on to the degree that ethnic manufacturers expected. Soft Sheen and Alberto Culver's TCB brand, two major players, should withstand the test of time.

Most vendors have gone into the lite sub-category of hair preparations, including about 50 sku's recently introduced by companies such as Lustrasilk, Lusters, American Beauty, Johnson, Posner and Bronner Bros. Only a handful have taken a wait-and-see stance on lite lines.

Despite all the product, packaging and advertising muscle backing the lite lines, we expect to see only five or six of these items in the top 100 by the end of the year.

Styling preparations and skin related products also been focused on by ethnic manufacturers seeking to fill the void left by declining curl product sales. While these lines are marginal sub-categories—about 6.5% of total sales at Beauty Enterprises, for example—they're getting more space at the retail level.

Styling gels, for instance, were 1% of ethnic sales at Beauty Enterprises. Last year, a typical 12-ft. department would have about nine linear inches of these gels, but because of new sku's, including larger sizes and tubes, as well as new product introductions, shelf space would be closer to 15 linear inches. As a result, sales of these gels will probably account for about 1.5% of sales by year end.

Now, the styling gel subcategory is controlled by Pre Con Gel, Vigorol Pro Tex Gel and Posner Styling Gel. Dark & Lovely Styling Gel is among the strongest new entries.

Hair color will continue on its slow, but sure, growth course. New packaging and colors by Dark & Lovely and Cream of Nature hair color, a new product entry, should spark the merchandise group.

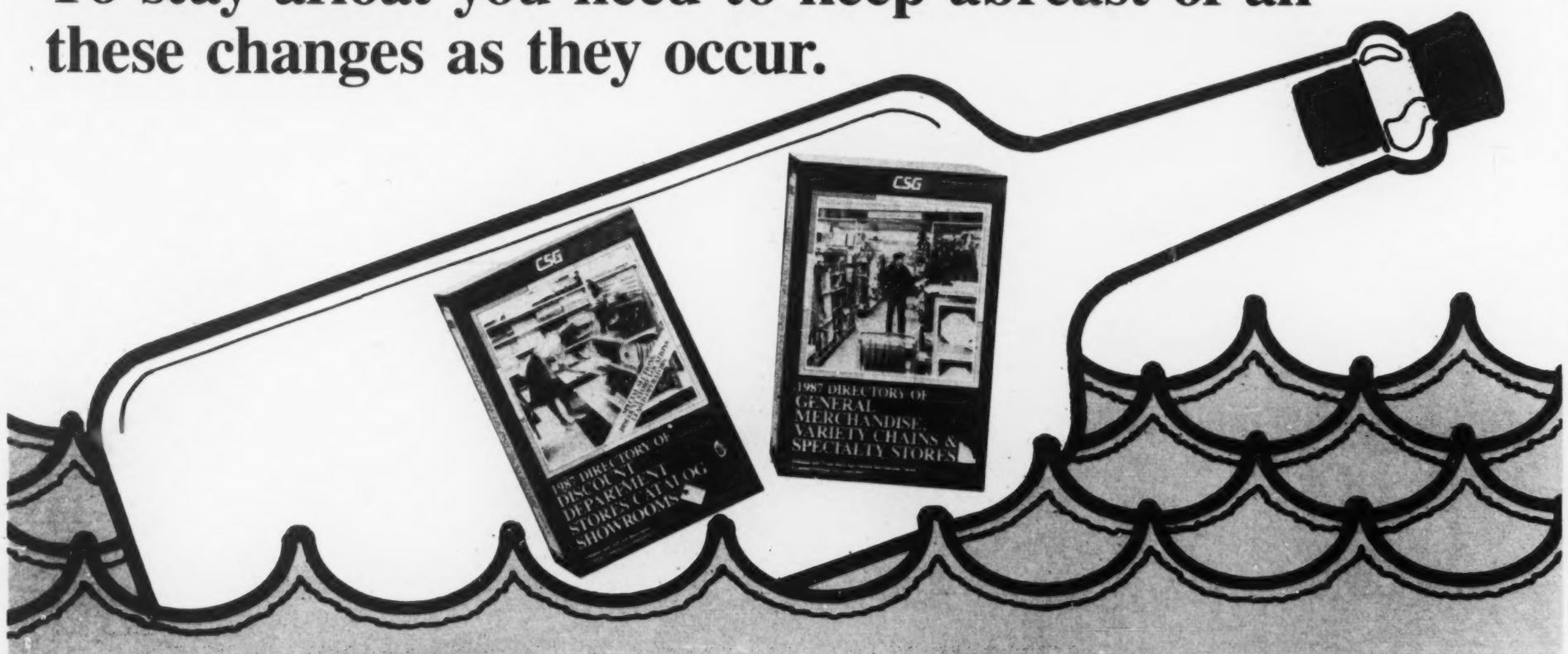
Beauty Enterprises expects Lustrasilk's Right On Curl to be the best new item of the year, but because of the nature of the market, it's unclear where the product will prove strong.

Regional differences in brand strength are obvious and must be recognized when planogramming. We have broken the country into five regions, and the top mover differs in three of the five areas.

The prices listed in this report are 10% less than manufacturer suggested retail. Retail prices will vary considerably, depending on the region and the chain.

Beauty Enterprises is a distributor of black beauty products based in Hartford, Conn., and is a member of the National Association of Service Merchandising and the General Merchandise Distributors Council.

Upscaling, upgrading, diversifying, consolidating—the mass merchandising universe is changing rapidly. To stay afloat you need to keep abreast of all these changes as they occur.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VOL. 26, NO. 9 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | April 27, 1987

PACE opened its first Southern California warehouse clubs this month. The two new units will try to offer more selection and more service than other members-only clubs in this market. (DSN photo)

Seedman Scraps Deal to Sell TSS Chain to Price Company

SAN DIEGO, Calif. — Fickle George Seedman, the 90-year-old chairman of Brooklyn, N.Y.-based TSS-Seedman's discount chain, has spurned yet another suitor. In a surprise move, The Price Company here has announced that its agreement with Seedman to acquire his 81% interest in the 69-year-old discount chain has been terminated by mutual agreement.

The sale of TSS-Seedman's, a privately held company, would have brought shareholders at least $50 million.

"Mr. Seedman expressed his desire to terminate, and The Price Company agreed provided it was reimbursed for out-of-pocket expenses," The Price Company announced in a prepared statement. Executives at The Price Company would not comment further.

"The reason we are terminating the negotiations is that it was their intention, which was not expressed to us at the time that we made the contract, to change the character of the stores," said Seedman, who is still active in management at the chain.

"They would not be offering any customer service, and our entire reputation has been built on customer service. That's the difference between us and 100 other stores on Long Island that have gone out of business since 1972. We would not go along with changing the store character."

Seedman has turned down other prospective buyers in the past, including Associated Dry Goods, at the time the

(Continued on page 99)

PACE Jumps into LA Warehouse Club Fray

By Pamela Krein

LOS ANGELES — PACE Membership Warehouse has entered the competitive market here with the intent of making customer satisfaction its primary goal and the differentiating factor from the numerous club operations here.

The opening of two units in the greater Los Angeles area (El Monte and Woodland Hills) this month introduced PACE to the breeding ground of the membership warehouse business, placing the company head-to-head with such competitors as the Price Club, Costco and Price Savers.

PACE plans to open five additional stores in the region this year, said Henry Haimsohn, PACE founder, president and chief executive officer. Focusing expansion on this area and the other PACE-established markets throughout the country is one key element of Haimsohn's plan to make his 27-unit warehouse chain profitable after four years in operation.

Despite the tough competition PACE faces on the West Coast, Haimsohn said he is sure his company can carve out its niche. "We are noted for having a broader assortment of merchandise and a very high level of merchandise. We're more interested in our customers," he said.

For Haimsohn and PACE, this interest translates into providing a broad and deep

(Continued on page 99)

Best Details Repositioning Plans To Become Jewelry-Driven Retailer

RICHMOND, Va. — Best Products plans to become a new type of hard lines marketer, one positioned between a discount store and a specialty retailer, as the "primary alternative" to either merchant.

Robert E.R. Huntley

Best's proposed revamping, which was outlined earlier this year (see *DSN*, Jan 5., page 1), would fundamentally change the catalog showroom into a jewelry-oriented hard goods discounter with a heavy focus on customer service and more use of TV, radio and newspaper inserts and ROP ads as key promotional vehicles, correspondingly playing down catalogs and flyers.

Best president and chief executive officer Robert E.R. Huntley detailed the company's repositioning earlier this month for security analysts and business reporters in a presentation in New York, and to employees in the company's newspaper, *Best Times*.

The cataloger has refined its merchandising categories into "five core categories: jewelry and giftware, the home, consumer electronics and leisure and juvenile," he said. Best's aim is "category dominance" that focuses on profitable high-volume items—"product intensification"—along with fewer sku's that still offer "a better, more coherent assortment and broader price point coverage."

The bottom line thrust of Best's efforts is to make the company highly profitable even during flat sales periods, by selling more merchan-

(Continued on page 99)

TV Shopping Taps New Customers

K mart, Entertainment Marketing Deal May Spawn New Star in Lineup

By Arthur Markowitz

News Analysis

TROY, Mich. — The teleshopping merchandising agreement that went into effect between K mart and Entertainment Marketing this month (see *DSN*, April 13, page 1) provides a number of varied benefits to the two marketing conglomerates.

K mart's upfront benefit is its entry into a major new and growing retailing market and the opportunity to reach additional customers and increase sales.

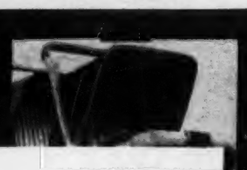
Its greatest gains, however, will likely come further down the road. The nation's second largest retailer could eventually take a major equity position in Entertainment Marketing, or even add its teleshopping partner to the discounter's stable of retailers that already includes drug store (Pay Less), home center (Builders Square) and bookstore (Waldenbooks) chains.

Entertainment Marketing will reap immediate benefits from its diversified TV home shopping efforts. The Houston-based company's diverse teleshopping includes two Consumers Discount Network (CDN) shows as its core TV retailing programs, along with a tie-in catalog; Sky Merchant-2 as another show; a weekly 30-minute capsule of its video retailing and plans for a home shopping game show.

(Continued on page 78)

NMRI Expects Record Crowd

The National Mass Retailing Institute is expecting a record attendance of more than 2,000 at its 22nd annual convention in Miami Beach, based on the theme, "The Challenge of Change." DSN's convention preview starts on page 17.



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MARKETWATCH

K mart to Add Bank Branches in Florida

TROY, Mich. — K mart announced plans to open 21 First Nationwide Bank branches in K mart stores in St. Petersburg, Bradenton, Sarasota and Orlando, Fla., bringing to 57 the number of branch locations of the bank in the Sunshine State. The agreement is part of a long term, multi-state plan by K mart and First Nationwide to add a minimum of 150 convenience banks to K mart stores across the nation this year. The completion of this goal would give the discounter 450 units that offer banking.

Warehouse Club Shuts Two Units

SKOKIE, Ill. — The Warehouse Club earlier this month shut its year-old membership warehouses in the Chicago suburbs of Arlington Heights and Lombard, Ill., leaving the chain with three units in the Windy City area. The closing, which reduced the chain's count to 12 clubs, will result in a one-time $5 million charge in the third quarter ended June 30. The move to reduce the undisclosed losses from the two stores was part of Warehouse Club's efforts to become a profitable company that has also seen the chain call off any expansion during the fiscal year ending in September (See *DSN*, March 2, page 3). In its past fiscal year ended Sept. 30, 1986, Warehouse Club sales of $157.3 million were up 77% from $89 million, but its net loss of $1.7 million was more than double the $516,000 recorded in the fiscal year ended Sept 30, 1985.

Seedman to Be Honored at UJA Dinner

NEW YORK — George J. Seedman, chairman and ceo of TSS-Seedman's, the East Coast discount chain that just called off its proposed sale to The Price Company, will be honored at the annual dinner of the United Jewish Appeal-Federation Hardware, Housewares, Paint and Seasonal Division, on May 21 at the Hotel Plaza here. The 90-year-old Seedman has enjoyed one of the longest and most illustrious careers in the discount industry. TSS-Seedman's operates 12 full line department stores, four small discount stores, 15 Finders Keepers off-price apparel outlets and several wholesale and manufacturing divisions.

Ford to Head K mart's Eastern Region

TROY, Mich. — K mart Corp. has promoted James E. Ford to vice president of K mart's Eastern Region located in East Brunswick, N.J., effective June 1. Ford replaces Arthur E. Riley who retires May 31. Ford has been with the $23.8 billion company for 24 years and most recently served as regional manager. K mart's Eastern Region has jurisdiction over the activity in the 440 K mart, Kresge and Jupiter stores located within the region, including operations, merchandising and personnel. Currently, there are 83 employees at this office.

Best Buy Nabs Six Superstore Locations

MINNEAPOLIS — Best Buy has signed leases for six of the 14 new superstores it has planned for calendar 1987, expanding into four new markets in Appleton and Green Bay, Wis.; and Kansas City and St. Louis, Mo. The company hopes to open the six stores from July through mid-September. All superstores will be located near high traffic shopping malls and will provide upward of 22,000 sq. ft. of retail selling space. The 24-store chain also reported March 1987 sales to be $26.1 million, a 119% increase from $11.9 million achieved during the comparable 1986 period. Fiscal year sales ended March 31 were $239.5 million, compared with $113.1 million last year, a 112% increase.

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Cataloger Luria To Supply Products For Network TV Shopping Program

MIAMI LAKES, Fla. — Catalog showroom operator L. Luria & Son has agreed to be the exclusive supplier of merchandise for a home shopping game show intended to run on a major television network this summer.

At presstime, the game show, which was produced by Merrill Heatter, the man behind the original Hollywood Squares show, was being reviewed by ABC, said Leonard Luria, president of the catalog showroom operation. If the existing pilot is picked up by ABC, the show will be hosted by Peter Tamarkin and the initial 13-week run will be placed in a morning slot and nationally rated.

Luria could not predict how much volume the show could generate. "It could be $5 million or it could be $100 million," he said.

Luria has started investing in first quality merchandise to fuel the program, although the specific mix of merchandise has not been determined.

Unrelated to the move into teleshopping, Luria also announced three executive level appointments.

New headquarters positions will be created later this year as part of the company's restructuring, according to Luria, who noted that the cataloger is quickly becoming a $200 million company.

Gary Holtzman, the new senior vice president, operations and stores, comes to Luria from Jordan Marsh where he had been executive vp, control and operations. He has also worked with Bloomingdales in operations and merchandising. Holtzman steps into a position that has been vacant since former vp, operations, David Brauer, retired nearly three years ago.

Joan Reece, 22-year catalog industry veteran, will hold the vp, jewelry merchandising

(Continued on page 99)

Congress Warned of RPM Dangers

WASHINGTON — Two key Congressional leaders have issued a strong warning to their fellow colleagues that discount stores will soon be driven out of the marketplace unless legislation is quickly enacted to safeguard long-standing Congressional policy barring resale price maintenance activities.

"Consumers and the free enterprise system may soon be faced with a terrible loss—the disappearance of that innovative and distinctly American institution, the discount store," House Judiciary chairman Peter W. Rodino, D-N.J., and committee member Henry J. Hyde, R-Ill., jointly told House members.

The Congressmen's views were supported by testimony from Monroe Milstein, chairman of the New Jersey-based apparel discounter, Burlington Coat Factory; Larry Hochberg, president of Sportmart; and a representative of the National Association of Attorneys General.

To combat what the lawmakers cited as increasing attempts over the past five years to drive discounters out of the marketplace through illegal resale price maintenance schemes, Rodino and Hyde are sponsoring legislation to "restate the proper evidentia-

(Continued on page 100)

FTC Sides with Retailers Over Price Discrimination

WASHINGTON — Top Federal Trade Commission antitrusters may soon be defending discount chains and other mass merchandisers charged with soliciting discriminatory price cuts from suppliers in violation of the Robinson-Patman Act.

The FTC's plan—which is reminiscent of the Justice Department's aborted "Private Action Program" to undermine the federal ban on resale price maintenance conspiracies—involves intervening in private Robinson-Patman lawsuits in an effort to pressure the courts toward a more restrictive interpretation of the federal anti-price discrimination law.

Robinson-Patman, which was enacted during the Depression to protect small merchants from emerging retail chains, prohibits suppliers from offering discriminatory

(Continued on page 100)

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type the answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor - 4/27,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners and answers will be announced in a future issue. Answers to questions below appear somewhere in this issue.*

25 Years Ago This Week:

Blue Law Violators Nabbed: Four Kansas City discount store employees were arrested after selling a stuffed rabbit from an Easter display to an undercover "blue law" investigator. They were charged with violating an ordinance banning sales of nonessential goods on Sundays.

Understanding the Stock Market 101: Korvette shares jumped 50% in value after *Fortune* called founder Eugene Ferkauf "one of the six greatest merchants in history."

1. What major Northeastern discounter opened its 30th and 31st stores, in Cincinnati and Columbia, S.C.?
a) Bradlees;
b) Zayre;
c) Globe.

20 Years Ago This Week:

The Silver Lining: A nationwide slump in new car sales was bad news for Detroit, but auto parts discounters weren't complaining. They reported strong sales.

2. What discounter had record sales of $70 million in 1966?
a) Swallen's;
b) Meijer;
c) Caldor.

10 Years Ago This Week

Wanted, Dead or Alive: S.E. Nichols cut $390,000 from inventory losses by instituting a series of bounties for switched tags and shoplifters.

3. What chain announced a $9 per share tender offer for Mammoth Mart?
a) Hills;
b) King's;
c) Zayre.

5 Years Ago This Week:

China Crisis: Lenox, a major name brand china manufacturer, filed FTC complaints against "unauthorized retailers" Caldor, Best Products, Service Merchandise, Lechmere and others for acquiring Lenox products through transshippers.

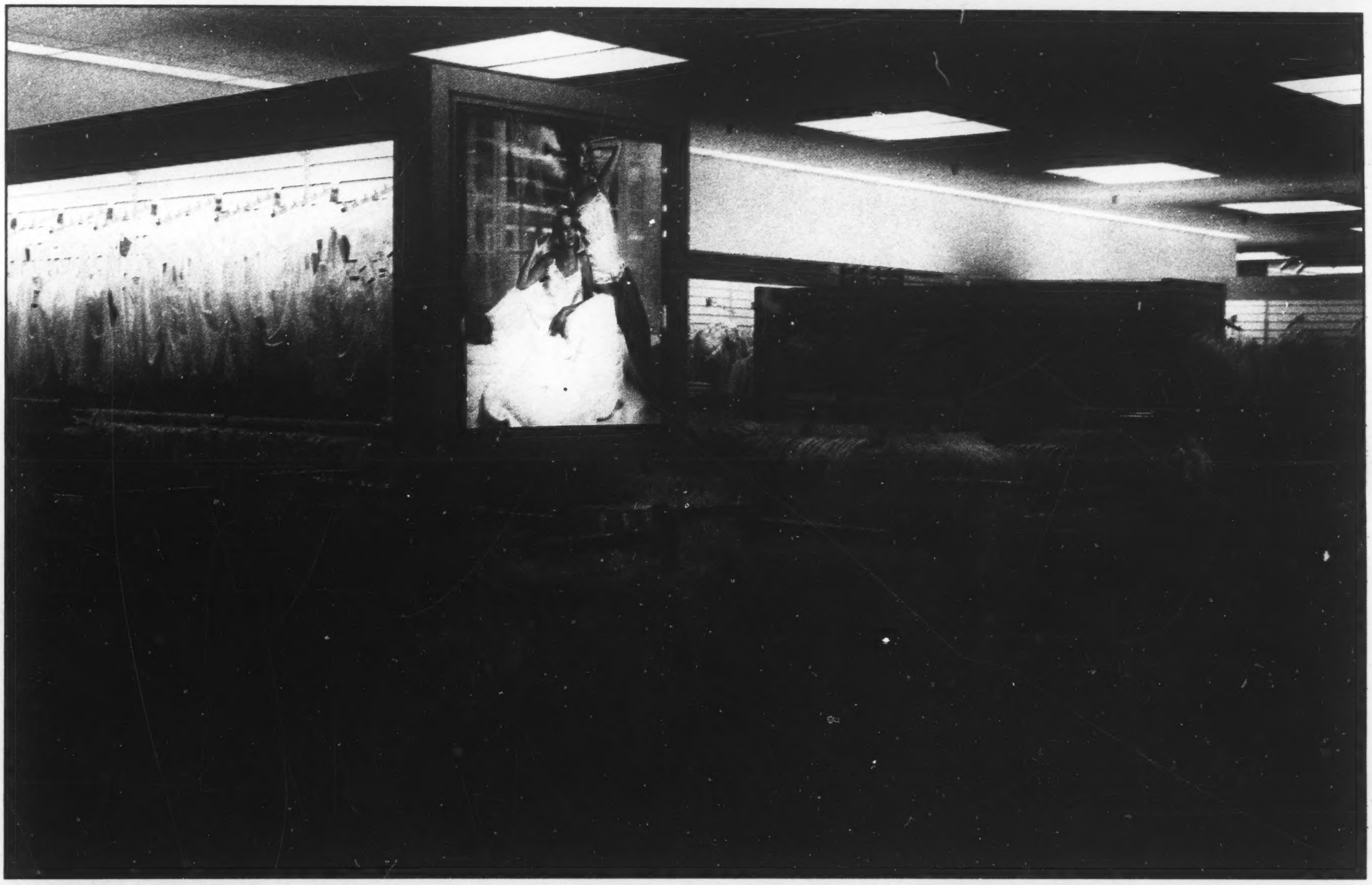
4. What discounter leased most of the space in 11 closed Two Guys stores in New Jersey, Connecticut and Massachusetts?
a) K mart;
b) Bradlees;
c) Zayre.

1 Year Ago This Week

Khadaffi-duck: Terrorism overseas directed against Americans led many discounters to cut foreign travel plans.

5. What chain introduced a private label credit card program in the Philadelphia market?
a) K mart;
b) Caldor;
c) Bradlees.

Apparel



Store-produced graphics, seen at Bradlees, Newark, Del., is one of the in-store display techniques for intimate apparel that buyers rated in a recent poll. Of those asked, about 42% said their stores do an above average job with such photos. Just as many gave their chains a below average score. (DSN photo)

Buyers Primed to Exploit New Trends in Intimate Apparel

Nationwide DSN Report

The winds of change that have blown through the intimate apparel market have picked up enough momentum to prompt shifts at the discount store level, according to a recent *DSN*-sponsored poll of buyers from chains.

A confidential poll of intimate apparel buyers at 32 discount chains, representing 6,650 discount, off-price and dollar stores across the country, was conducted last month by Jerard Less Inc., a New York-based retail apparel consultant, exclusively for *Discount Store News*.

The responses paint a portrait of departments with unrealized volume potential and buyers planning higher quality goods, increased fashion appeal and in a few cases, improved presentations.

More than a few buyers believe more space and new fixtures would pay off in the intimate apparel department but have yet to convince management. "It's a profitable area," one respondent said. "Yet, it hasn't been given enough support by management."

The impetus for change is seen everywhere; from the success of The Limited's intimate apparel specialty operation, Victoria's Secret, to a rekindling in the fashion industry of lacey feminine looks, romance and a trend to more natural fabrications like cotton.

According to the *DSN*-sponsored survey, buyers are primed to exploit the possibilities presented by all three trends. But changes in fabrications have, so far, made the most far-reaching impact. As one respondent said, " . . . through the Victorian look, which will pass, natural fibers will stay."

In fact, one merchandiser called the industry's shift to natural fibers "the first major change in 40 years."

Cotton Gains Importance

Of those polled, 93% see cotton as gaining in importance in the intimate apparel category. More specifically, responses indicated that right now about 44% of the robes, 42% of the sleepwear and 41% of ladies' panties sold in their stores are made of all cotton or high-cotton blends.

In general, the 15 smaller operations of 50 units or less were more likely to react to trends in fashion and tastes than the 17 larger chains polled.

For example, the return to romance and femininity in clothing was considered very important or important by just over half (53%) of the entire group polled. But among the smaller chains only, 67% said the trend was either important or very important compared to 41% of the merchandisers at larger chains.

At larger chains, nearly half—

(Continued on page 29)

MARKETWATCH

BROOKLYN, N.Y. — **Finders Keepers**, the 15-unit off-price division of **TSS-Seedman's**, is holding to its expansion strategy despite the sale of its parent company to San Diego-based Price Company. "It's business as usual, said Don Blank, vice president of the Finders Keepers chain. The chain's 15th unit opened in Livingston, N.J., at the start of April with another April opening slated for Clark, N.J. Blank has leases signed for another four off-price stores that should be ready to open for business by this fall. Blank also has the go-ahead for a new store in 1988. Although Price will reportedly convert all or part of the TSS-Seedman's department stores to Seedman-Price Club membership warehouses, the acquisition will have a positive effect on the off-pricer, said Blank, who is still looking for more potential store sites in the New York/New Jersey area.

* * *

SAN ANTONIO — **Management Horizons** president, Cyrus Wilson, and Michael Donabauer, vice president, will outline challenges of the future when they address members of the **American Apparel Manufacturers Association** at their 53rd annual meeting here on April 23 to 25. "Trends in retailing and the implications for apparel manufacturers," is the title of their presentation slated for April 23 at 11:45 a.m. The report on changes in retailing will cover the growth of private label, the strengthening of foreign resources, quick response, and also capsule retailers' current attitudes toward American manufacturers. The conclusions are designed to tell manufacturers how they can adjust to the changing retail environment.

* * *

CINCINNATI — U.S. Shoe's latest financial report indicates the problems with its off-price formats are still unresolved. The performance was called "unsatisfactory" for its **Front Row** family outlets, **T. H. Mandy** ladies' wear stores and **Home Front** home products units, but sales were not broken out. The current strategies include closing 12 of the Home Front stores and testing a smaller store size of about 4,500 sq. ft. for T. H. Mandy.

Buyers Primed to Exploit New Trends in Intimate Apparel

(Continued from page 27)

47%—see the impact of romance as only somewhat of a factor in their future business plans. That perspective may come from weighing regional differences. One respondent reported "big growth in ethnic areas but middle class whites have yet to pick up on romance." Another remarked that romance has not reached towns of 10,000 or less.

When asked if they plan to increase open-to-buy over the next 12 months because of the influence of romance or femininity, 47% of those at smaller chains replied, "yes," compared to 29% at the larger chains. Of the total respondents combined, 38% are planning to invest more in their intimate apparel inventory this year.

It is important to note that many of those who can not get more money plan to shift their existing budgets into more fashion-oriented items. Among those polled, the definition of fashion is changing. "High-cut briefs are now basic," said one respondent. "Basic slip lengths are between 24-in. and 33-in. now," added another.

When asked to break down their assortments, those at larger chains estimate their intimate apparel to be 31% fashion merchandise while those at larger chains typically have about 39% of their mix with a fashion slant. In looking at open-to-buy, those polled spend 59% of their budgets on basic and 41% on fashion.

Supporting their revamped assortments with sharply-focused in-store presentations may well be buyers biggest challenge.

The majority, 78%, of the chains have the same size square footage devoted to apparel on the stores' selling floor as a year ago and will not be getting any more space in the next year. Among the few who recently expanded or who plan to expand this year, a 10% space increase is typical.

Few New Fixtures

This poll revealed a very small number of chains are investing in new fixtures. Of those polled, 11% have in the past year, or will in the next year, get new visual merchandising equipment in their stores. Only 4% of the 32 chains had or will invest in new fixtures and only 6% expect to or recently increased housekeeping.

Still, "maintenence is very important for the right look on the floor," one respondent explained.

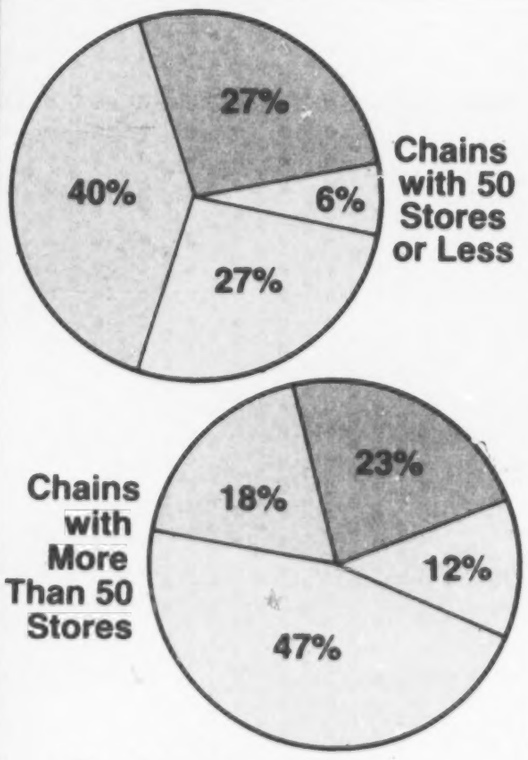
Right now, most chains use fourways and rounders to display most intimate apparel but chains have not

(Continued on page 30)

K mart is one chain which now utilizes manufacturer-produced four-color signing in their stores to upgrade such intimate apparel presentations as the traditional panty wall display, shown here at a unit in Sterling Heights, Mich.

Most chains, like K mart, report using flat tables along with waterfall and round rack displays in their intimate apparel departments. The majority of chains plan no new fixturing for intimate apparel in the next year. (DSN photos)

How do you rate the influence of the return to romance and femininity on intimate apparel sales over the next 12 months?



Apparel Survey Polled 32 Chains Across U.S.

NEW YORK — This Jerard Less/*Discount Store News* survey is based on telephone interviews with buyers and merchandisers at 32 discount, off-price and dollar store chains across the country. The phone calls, placed during the week of March 16, 1987, had been preceded by letters and written questionnaires sent out earlier that month. Respondents were promised complete anonymity.

Shoppers Prefer Discounters for Pantyhose; Intimates Lag

Nationwide DSN Report

A recent consumer survey supports discount store buyers' reports that their stores could improve their intimate apparel business.

A national survey of women shoppers conducted for *Discount Store News* by Leo J. Shapiro & Associates revealed that discounters are a distant third as a source of underwear, slips, bras and panties. Department stores and Sears, Ward and Penney combined get over half the business, based on where women say they shop for their foundations.

While 37% of the regular size ladies polled said they go to department stores for foundations, and 30% said they go to Sears, Ward or Penney, only 9% named a discount store. Among special-size women, a slightly larger percentage named a discount store. Large-size women also depend more on specialty stores as a source for their undergarments.

Discounters are much stronger in the competition for pantyhose sales, where the competition includes drug stores and supermarkets.

In fact, among large-size women, discount stores were named by the largest percentage of consumers as the place to shop for pantyhose. Petite and regular size women named department stores most often. However, discount stores were named nearly as often as Sears Ward, and Penny as the place to shop for hose.

Where Women Go to Buy Foundations

Discounters are a distant No. 3 as a source for underwear, slips, bras and panties.

	Large Sizes	Petites	Regular
Department Store	32%	40%	37%
Sears, Ward, Penney	31	27	30
Discount Store	12	13	9
Women's Apparel Store	11	6	2
Off-Price Apparel Store	3	2	4
Other	5	5	6
Not Answering	6	7	12

Source: Leo J. Shapiro & Associates, Discount Store News, Feb. 1987

Where Women Go to Buy Pantyhose

Discounters lead as a source for large-size women. Petites prefer department stores.

	Large Sizes	Petites	Regular
Department Store	10%	23%	24%
Sears, Ward, Penney	16	16	17
Discount Store	19	14	15
Grocery Store	10	9	12
Drug Store	8	4	5
Women's Apparel Store	8	5	—
Off-Price Apparel Store	3	2	2
Other	8	10	9
Not Answering	17	16	15

Source: Leo J. Shapiro & Associates, Discount Store News, Feb. 1987

Gold Circle Adds Petites Dept. with Focus on Dressy Styles

WORTHINGTON, Ohio — Gold Circle intends to build a petites business by offering dressier styles for shorter women.

The chain formally introduced a petite department late last month with a group of related separates priced from $12.99 to $19.99, said Michael Anthony, divisional merchandise manager.

"We want add-on sales," he said explaining that the program represents missy-oriented related separates not previously found in the chain's northern (45 of 76) stores to help insure add-on business.

The idea is to give that shopper something new instead of something she was previously buying in regular sizes and having altered. In the past, he said, most related separates at the Gold Circle had been junior oriented.

Targeting Current Customers

The target consumer of the matching skirts, tops and sweaters for women standing 5-ft., 4-in. and shorter is a woman who already has been shopping in the Gold Circle stores, said Anthony. In the missy bottoms business, goods proportioned for that shorter woman already account for 55% of the business and the same is true in plus-sized bottoms, he added.

Because of the oversized styles in casual clothing, those women don't need special tops to match the jeans they're buying, but there is a need for more petite-sized dressy clothes for work, church and similar occasions. Even the petite specialty shops seem to focus on career and dress-up clothing, Anthony noted.

Private Label for Spring

For the spring entree into the petites business, Gold Circle went to a vendor that specializes in private label. The goods were made to the chain's design and introduced under the label American Collection with hangtags designed to distinguish the goods from regular sizes. However, the new program was not featured in any ads.

Plans for Fall Advertising

The fall 1987 assortment will probably be featured in a circular. Anthony is also planning to shop vendors who specialize in petites and blend some of those goods with the petite private label program.

Buyers Primed to Exploit New Trends in Intimate Apparel

(Continued from page 29)

thrown out their tables. Panties, lingerie and bras are still often featured on tables at a cross section of stores. A full three-quarters of the chains surveyed organize their intimate apparel first by style and then by color. Most, 84%, do not separate junior goods from missy goods in intimate apparel.

When asked to rate the contribution of vendor-supplied point-of-purchase material, chain-produced fashion photos, vendor advertising and local vendor support to their store's displays, many buyers expressed a need for local vendors to service the departments. Close to 47% of the buyers rated the local sales support in their stores as below average.

Buyers were split on rating their chain's use of vendor's point-of-purchase material and store-produced photography. About 42% said their stores do a below average job of utilizing vendor POP, while almost 39% rated it above average at their chains. In rating the implementation of store-produced graphics, 42% gave their chain above average scores and 42% gave their chain below average scores.

Not Brand-Conscious

Although advertising to consumers was seen as an average or above average factor in promoting sales for discounters, shoppers rarely ask for specific brands, according to those polled. Almost 70% said consumers do not come in asking for a certain brand or label.

Still, private label has only a small role in the intimate apparel departments at discount stores. Sixty-nine percent of the chains reported they use no private label program. Only 13% said they have programs that are very important to their business.

DSN Institutes Apparel Hotline

NEW YORK — *Discount Store News* has instituted a toll-free number to handle inquiries on its exclusive research on the apparel market and also to receive news tips and story ideas for its apparel coverage. Readers can call 1-800-332-3005 to get further information on *DSN*-sponsored research. Readers are also encouraged to write letters to the editor in response to any articles appearing in this paper.

Foundations for full-figure women were highlighted in a grand opening display at Bradlees, Newark, Del.

Hills combines the typical table displays of bras with short waterfall racks in its Miamisburg, Ohio, store. (DSN photos)

Discount Cosmetics to Spur 2.6% Gain in '87 Shipments

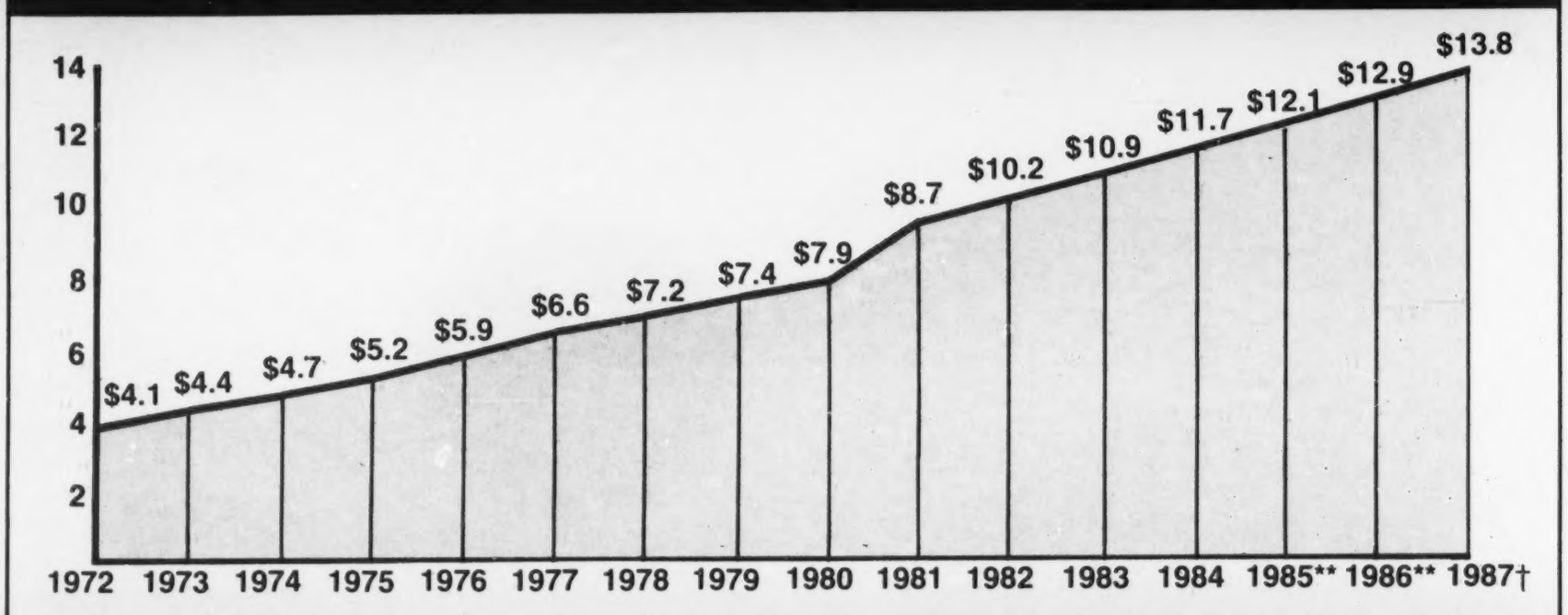
WASHINGTON — Growing sales through discount outlets and "at the mass merchandising level" will generate increased shipments by U.S. cosmetic manufacturers in 1987, according to a newly-released analysis by the U.S. Commerce Department.

"Price will continue to have a strong influence on sales," economists said, adding that "sales of prestige fragrances and cosmetics through discount outlets" will show particular gains in 1987 for specific retail sectors. The value of U.S. cosmetic industry shipments—almost $13 billion in 1986—is expected to increase by 2.6% this year. Long range growth in shipments should continue at about 2.8% per year through 1991, they predicted.

According to Commerce Department researchers, men's products, particularly "effective, practical and rational skin care products," should experience major sales growth in 1987. Sun lotions (led by sun screens which are expected to command 50% of the sun care market by 1990) are also expected to be a fertile area for U.S. manufacturers. Other sectors destined for growth include solid deodorants, skin care preparations for the over-35 age group and ethnic products, they predicted.

*Toilet Preparations: Value of Shipments, 1972-1987**

(In Billions)



*Manufacturer shipments of cosmetics, fragrances and other toiletry items
**Estimate
†Forecast

Source: U.S. Commerce Department

According to the report, purchasing power of the 28 million U.S. black consumers is about $170 billion. In addition, researchers said, "blacks spend four times more per capita than whites on health & beauty aids." Cosmetic purchases in 1987 by black consumers are predicted to increase from $2.7 billion to $3 billion.

Government economists also recommended that retailers promote "regimen buying"—purchase of two or more products "to attain an overall effect,"—particularly for marketing skin care products.

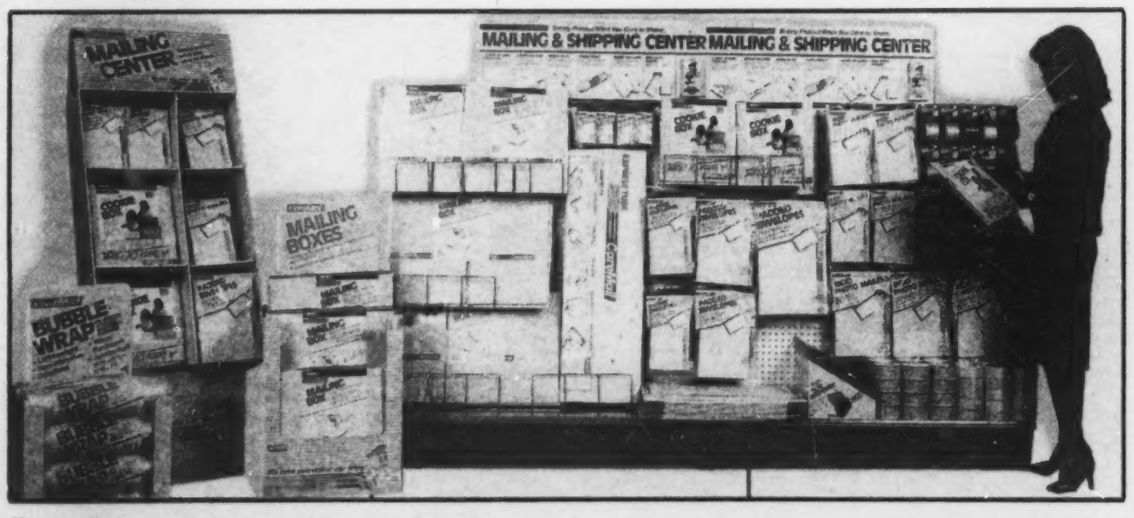
"Competition will dictate continued introductions of new and diversified products into established lines," they said.

Wal-Mart Takes Under Wing One-Stop Mailing Centers

BENTONVILLE, Ark. — In several hundred of its larger stores, Wal-Mart, the giant discount chain based here, has taken under its wing new one-stop, year-round mailing centers that allow customers to purchase everything they need to mail packages.

The basic program, which requires about 8 linear ft. of shelf space in the stores' stationery departments, includes mailing tape and dispensers, padded envelopes, labels, photo mailers, express tubes for posters, express packages, mailing cartons, a specialized box to ship cookies and bubble wrap cushioning material.

The program, designed by Cleveland-based Manco, a manufacturer of duct and mailing tapes, is called "CareMail," and is being marketed under the slogan, "We Take You Under Our Wing."



Wal-Mart is testing this mailing supply center in several hundred of its larger stores. Customers can buy everything they need to wrap and mail packages.

Kiki Matthews, project director for Manco, said her company conducted market research that persuaded Wal-Mart to test the concept in 100 stores. But she declined to discuss the project in detail.

Jim von Gremp, director of public affairs for Wal-Mart, said the program is so new that even test result figures are not readily available. Stores were just getting the modules installed late last month, he said.

"Test results were good enough to add the centers to our basic store module in stationery," he said. "We'll know more about it in a month."

Wal-Mart has put the mailing centers in its two largest prototype stores, 60,000-sq.-ft. and 80,000-sq.-ft. units, von Gremp said. "That covers a lot of our market," he said.

Stores will reorder as necessary, and Manco will consolidate orders and ship directly. Wal-Mart will not handle merchandise through its distribution centers, von Gremp said.

The mailing center is, "one of those categories that make retailing fun," von Gremp said. "Customers can buy specific sizes and get exactly what they want. They will pay for the convenience."

All products meet U.S. Postal Service specifications, Manco said. The mailing cartons come in three sizes that meet 90% of consumer needs, and their bursting strength is 200 lbs.

The postal tapes are: a clear carton sealing tape, a paper packaging tape that requires no moistening, a waterproof, tan carton sealing tape, and a strapping tape that incorporates fiberglass strands.

The water resistant photo mailers come in two sizes to accommodate photographs up to 8-in. by 10-in., and the padded envelopes come in three sizes ranging up to 10½-in. by 16-in. and are suitable for mailing anything from jewelry to clothes, Manco said.

Cookies are the No. 1 item mailed in America, Manco said, and its cookie box features an FDA-approved lining to preserve freshness.

Discounters Hammer Out Gains in Plastic Tool Box Sales

(Continued from page 63)

for the mass market. Check the number of plastic boxes on shelves. You'll see quite a difference from two years ago."

The K mart store in Eatontown, N.J., carries three Flambeau boxes, a 13½-in. for $8.97, a two-tray model for $12.77 and a 16-in. model with tote tray for $14.97.

In addition, it stocks small plastic utility boxes from Soho for $1.97 and $3.44. Manufacturers said small boxes appeal to women for uses other than tools, such as storing sewing notions and art supplies.

In metal, the bottom of the line at the Eatontown K mart is an 18-in. Vermont American box at $18.88.

"Plastics are more readily accepted," said Robert Schanbacher, a hardware buyer for Troy, Mich.-based K mart. "It's the changing times."

But K mart ran into customer resistance at the $30 to $40 price level, Schanbacher said, and backed away from higher priced boxes.

"We pretty much stick to a $20 limit for a 19-in. box," he said. "In years to come, you might see a difference," he said.

Limited Larger Sizes

Contico Manufacturing Co., St. Louis, Mo., already is tackling higher priced boxes with its Tuff line, including large storage chests designed to be bolted to pic up trucks.

Contico boxes are molded of structural foam and are just as strong as steel, even though 17% lighter, said Tom Hensley, vice president, marketing services.

Hensley takes a more conservative view of the prospects for plastics. "We're up against an insurmountable lead of metal. Sears alone sells 5 million metal boxes a year. A 5% share would be a miracle.

"It will take a long time for plastics to reach parity with metal," said Hensley, who estimates small, but steady inroads for the next 20 years.

Contico prices its boxes at or slightly below metal. The company counts several warehouse clubs among its customers, including Costco, Sam's Wholesale Club and Price Club, Hensley said.

Plano Molding Company, Plano, Ill., along with Flambeau and Akro Mills, is one of the largest plastic box makers in the U.S. Its line includes the plastic fishing tackle boxes that have pushed aluminum and steel boxes out of the picture, particularly around salt water.

"Retailers are recognizing the importance of plastic tool boxes," said Plano president Peter Henning.

The tool box business is highly promotion oriented, said Dale Findlay, director of consumer product sales for Canron Inc., Mississauga, Ontario, Canada. Accordingly, his company in its United States venture will feature a 17-in. box intended to sell for $9.90 (U.S.) on promotion and a 20-in. box intended to sell for $14.99 on promotion.

Guess Market Share

As for the plastic market share, Findlay said, "Everybody's guessing. Who knows?"

Findlay's guess is that plastics garner about 15% of the total market and and growing. He predicts parity within five years.

Canron entered the U.S. market by buying a 120,000-sq.-ft. plant in Macon, Ga. "We were forced to invest in the U.S.," Findlay said, after the duty of 5.7% was raised six months ago to 20%.

Competition to Slice Discount Chains' Greeting Card Sales

WASHINGTON — Greeting card revenues for U.S. discounters and other "traditional department store channels" will drop during the next five years, significantly affected by specialty stores and supermarkets.

In a recent analysis by the U.S. Commerce Department, economists predicted that stores specializing in greeting card sales "will show some gain" over other retailers.

In addition, supermarkets will become a leading card retailer, and more retail outlets of all kinds will enter the market.

"Stores providing a diverse mix of traditional and new cards will capitalize best on the demands of the card-consuming public," they said.

According to researchers, greeting cards are a market worth fighting for. Despite a leveling off from "the exceptional growth of the early 1980s (6% from 1979-1984)," greeting card shipments continued to rise—about 2% in 1986, they reported. Value of shipments last year totalled more than $2.7 billion. Economists also expect industry shipments to increase about 2.5% this year, and project similar annual gains (2% to 3%) through 1991.

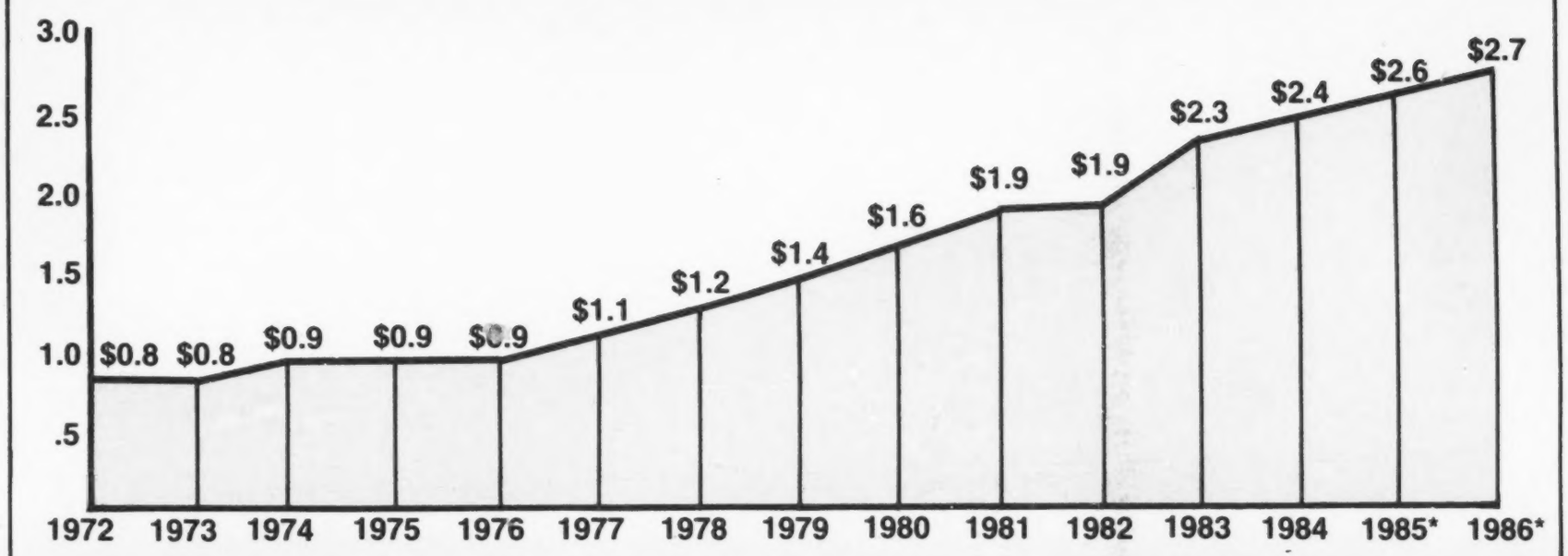
Government researchers reported that competition in the industry was stepped up by the snowballing growth of small greeting card companies, called "alternative publishers." The small card companies now number about 500, they said.

"These firms, which account for about 15% of the total card market, have carved out a market niche for themselves by producing untraditional cards that appeal to a younger and more diverse audience," they explained.

According to the report, a large percentage of the cards sold during 1986 were in "the higher-priced range." A breakdown of non-seasonal cards sold last year showed about 1.5 billion birthday cards and 2 billion "cards for no special occasion."

Greeting Cards: Value of Manufacturer Shipments, 1972-1986

(In Billions)



*Estimate

Source: U.S. Commerce Department

Gold Circle Promotes for Summer

Hard lines such as sporting goods and lawn and garden products were featured prominently in a recent Stock-up Sale circular by Gold Circle. Camping and exercise equipment were emphasized by the Ohio-based retailer, as well as power lawn mowers and barbecue grills.

Philadelphia Bradlees to Test Custom Window Treatments

WARWICK, R.I. — Twenty-two Philadelphia-area Bradlees stores will be the testing ground for an experiment in mass marketing custom window shades and blinds. Kenney Manufacturing, a Rhode Island producer of a full range of window treatments, will supply a new 4-linear-ft., seven-product endcap display for the effort, which it hopes will eventually roll out to discounters nationwide.

The first Bradlees newspaper ads for the new program will run this month, and Kenney expects results to be in by early May.

"Popular wisdom is that mass marketers can't sell specialized products," said Kenney vice president Perry Mazza. "Wallpaper, for instance, was a flop, and the jury is still out on whether we can do it. But we're taking a stab at it."

Mazza added that customers are often overwhelmed by choice and the fear of hanging wallpaper. He said these symptoms are peculiar to the wallcoverings market and that consumers are much more comfortable with window treatments.

Historically, though, anything more exciting than precut vanilla shades has failed miserably in a discount environment. Mazza feels that Kenney may be successful where others have failed because the company has solved two problems that have plagued other attempts; taking deposits and notifying customers when their orders arrive.

"We've taken advantage of existing systems which have been proven to work," Mazza said. "Deposits will be handled by Bradlees' layaway department and their raincheck system will be responsible for notifying the customer."

Mazza is well aware of the track record of other attempts to market service products in a non-service environment. "Bradlees pushed us for six months, but we wanted all bases covered," Mazza explained.

The company said that its simplified ordering procedure will be the key to success where others have failed. "We did our homework," Mazza continued. "We went onto the street and gave people the actual order forms and said, 'Read this, do you understand it?' and kept making changes until the answer was yes.

"We had the luxury of looking at a lot of other programs and learning from others' mistakes," Mazza said, "and the main thing we learned was not to confuse the customer. We limited choices and made the program a simple step-by-step process so a choice can be made right away."

'We limited choices and made the program a simple step-by-step process so a choice can be made right away.'

—Perry Mazza,
vice president, Kenney

Kenney is tempted by the great potential for sales in the discount market. While a discounter may never make inroads into the specialty market, where service and wide choice are necessities, the company does think that millions of Sears and Penney customers can be lured away by the promise of paying 20% to 30% less. "To keep the choice manageable, we're only offering 30 sku's in verticals and aluminums, but a lot of analysis went into choosing colors that move," Mazza said.

And, he thinks discounters will find the program attractive. "Bradlees only has to handle the product operationally," he said, "which gives them a luxury they've never had before—no inventory."

Answers: *1. b, 2. c, 3. b, 4. b, 5. c.*

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Discount Chains Face Challenges In Three Prospering U.S. Markets

Specialty Chains Engulf Atlanta

By Karen Paxton

ATLANTA — This rapidly growing Southeastern city is the embodiment of the challenge of the future facing most mass merchandise chains: a seemingly never-ending onslaught of specialty store operations continuously trimming slice after slice out of one of the nation's most succulent retail pies.

Discounters, facing competition from Sears, J.C. Penney, other discount chains and many of the new specialists, are turning to improved customer service to build customer loyalty.

In this market, Richway

(Continued on page 97)

Chains Bullish On Pacific NW

By Pamela Krein

PACIFIC NORTHWEST — Target Stores' plan to open 35 stores in Seattle and Portland over the next five years is the most dramatic of a number of recent chain invasions in what had been a relatively "quiet" retail market.

Spanning some 172 miles, the Portland to Seattle corridor is attracting scores of discount retailers, including off-pricers ClothesTime and T.J. Maxx, in search of the last remaining undeveloped areas in the country.

Unlike other regions, the Pacific Northwest had been

(Continued on page 105)

Ethnic Shoppers Revitalize Miami

By Mary Ellen Kelly

MIAMI — The influx of Cubans to this sun-drenched urban market has presented a multitude of problems to national chains that are unaccustomed to so dramatic a shift in their customer base.

Discount powerhouses like K mart and catalog showroom operators have had to shift product assortments and redirect their marketing efforts to meet the needs of this swelling, and increasingly affluent, Cuban customer.

The Miami shopper's invigorated spending has merited a redirection of mer-

(Continued on page 108)

Hills to Go Public; Sets Faster Growth

By Peter Hisey

CANTON, Mass. — Hills Department Stores, which went private in a management-led leveraged buyout in December 1985, has filed papers with the SEC intended to take the company public once again.

Hills, formerly the primary business of Ohio-based SCOA Industries Inc., will now be known as Hills Department Stores Inc.

Under the proposed stock offering, the company will sell 5.3 million shares of its common stock to the public at a price expected to be between $15.50 and $17.50 a share. The proceeds will be used to re-

(Continued on page 241)

NMRI to Change Its Name To IMRA at Annual Meeting

NEW YORK — The name of the National Mass Retailing Institute (NMRI) is expected to be changed to the International Mass Retail Association (IMRA), *DSN* learned at presstime.

The new name, which will be voted on this week during the organization's 22nd annual convention at the Fontainebleau Hotel in Miami Beach, Fla., is expected to be ratified. The name change to IMRA follows the merger last fall of the NMRI and the Association of General Merchandise Chains (AGMC).

T.J. Maxx Plans 10 California Units; Also Eyes Midwest Expansion Thrust

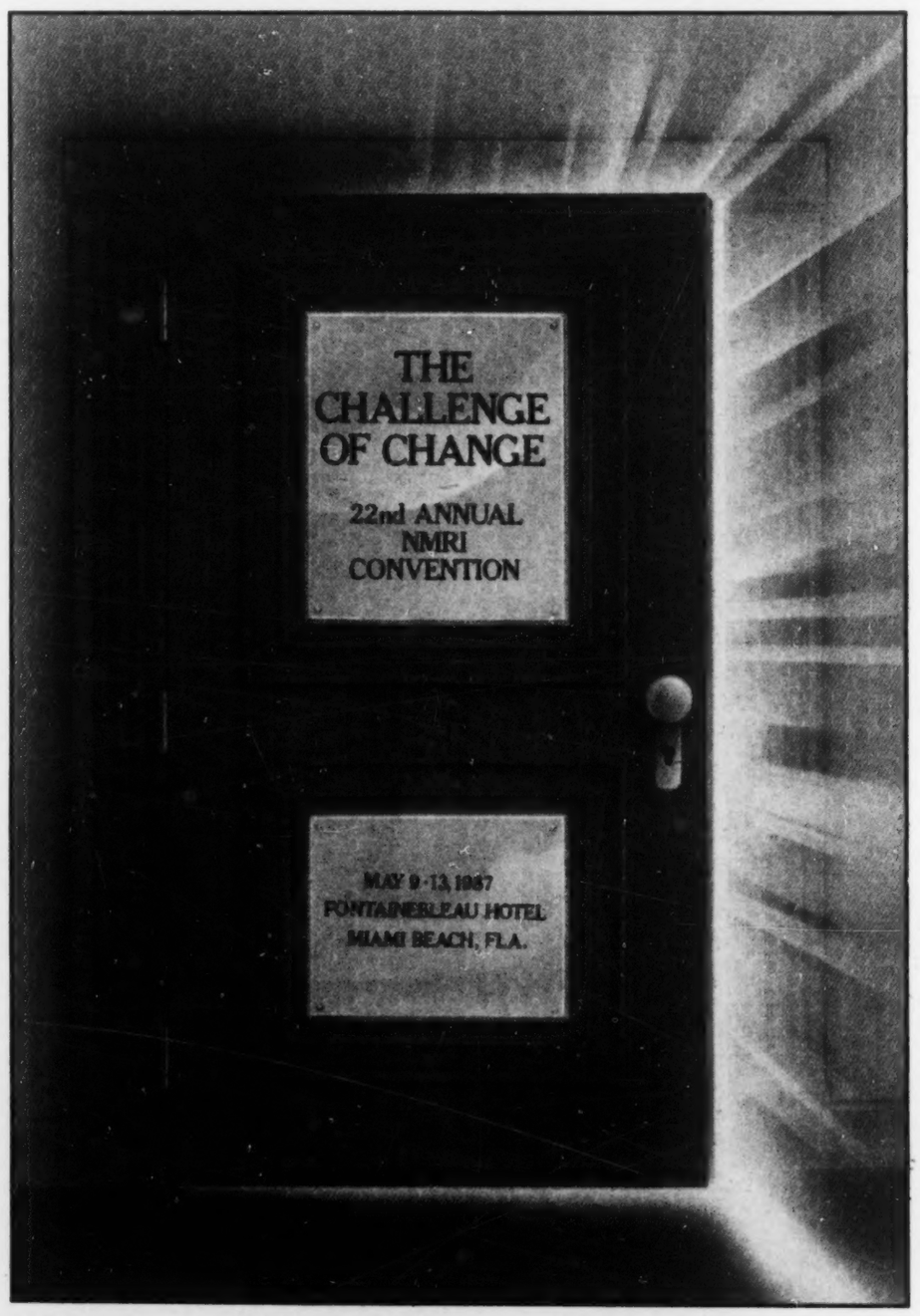
Massachusetts-based T.J. Maxx will invade the competitive California off-pricer market with 10 stores this year. (DSN photo)

LOS ANGELES — T.J. Maxx, the Natick, Mass.-based Zayre subsidiary, will invade the California market with 10 stores this year, the first scheduled to open in Sacramento in August.

The second-largest off-pricer in the nation will also open stores in the San Diego, Los Angeles and San Francisco markets in October and November.

The move into California is part of the 228-store chain's

(Continued on page 241)



DSN's coverage of the NMRI convention begins on page 21.

Busy Signals Block Sales

HSN Moves on Telephone Logjam

By Arthur Markowitz

CLEARWATER, Fla. — If you think you have telephone problems, read on:

Home Shopping Network (HSN) has turned to the latest telephone technology to overcome phone problems that have caused a sharp drop in its sales, a plunge in the price of its stock and the withdrawal of a $345 million convertible debenture offer.

While there was little, if anything, HSN could do about the financial impact of its telephone problems, the teleshopper had to resolve its phone difficulties if it was to meet aggressive expansion plans. On June 15, HSN will launch The Home Shopping Game Show on TV stations covering about 50% of the nation, and in September, it will commence the Home Shopping Overnight Service for broadcast TV stations.

The intense pressure the company applies to its telephone suppliers was evident from the fact that the equipment to update and expand the current Clearwater, Fla., phone center is scheduled to be operational by early next month.

HSN's view of the problem late last month was that "in recent months the company believes its resident [local Clear-

(Continued on page 242)

Automation Challenges Discounters

RTA Furniture Gains Higher Profile

Upscaling Hardware Departments

MARKETWATCH

Wal-Mart Expands Discount Drug Stores

BENTONVILLE, Ark. — Wal-Mart's three-year-old dot discount drug store concept has been successful enough in Des Moines and Kansas City to prompt accelerated expansion this year. Last month, the company opened two dot stores in Kansas City, Kan., and Lincoln, Neb., bringing the total count to seven. By the end of the year, there could be as many as 14. In early summer, dot openings are slated for Hazelwood, Mo., outside of St. Louis, and Witchita, Kan. By the end of the summer, two more are planned for Kansas City, Mo., on Bannister Ridge and Noland Road. Two or three more are expected this year, said Stacy Duncan, corporate spokesperson. Locations for these units have not yet been determined.

Supermarkets General Eludes Dart Group

NEW YORK — Dart Group's attempt to purchase retailing giant Supermarkets General, parent of Pathmark supermarkets, Rickel Home Centers and Purity Supreme stores, apparently ended late last month when a group led by several key employees bid $1.8 billion for the company. The buyout offer was made by Merrill Lynch Capital Partners, along with Supermarkets General senior management, and exceeded Dart's last offer by roughly $100 million. Dart, which still owns about 5% of Supermarkets General stock, is reportedly examining its options, which include entering a still higher bid and mounting a proxy battle. Supermarkets chairman Leonard Lieberman was not included in the group making the offer. His place, if the management buyout goes through, will be taken by Pathmark president Kenneth Peskin.

Ross Installs 5 Cosmetics Boutiques

NEWARK, Calif. — Ross Stores has included a new cosmetics and fragrance boutique in five new stores. Looking to "provide a one-stop shopping experience for our customers," the off-price retailer said it had been testing the department in a San Francisco Bay Area location, and decided to go ahead and include the section within the five stores it opened in April. The new store locations to get the cosmetics and fragrance department are in Los Angeles, Oregon, Maryland and the Bay Area. Saying it is "the first major off-price retailer to offer this," Ross said the sections will average about 15,000 sq. ft. and handle brand names, such as Almay, L'Oréal, Clarion and Revlon, at "less then department store prices." Expansion beyond these new stores will be based on a "wait-and-see" basis, the company said.

Ames Profits Slide While Sales Climb

ROCKY HILL, Conn. — Ames Department Stores reported last month that year-end net earnings fell 33% to $27.1 million from $40.4 million, for the period ended Jan. 31. Sales increased 24.8% to $1.9 billion, while comparable store sales rose 6.4%. The chain, which opened 17 stores last year, confirmed a "significant" inventory shrinkage at its distribution center in Secaucus, N.J. Ralph Shulansky, senior vice president, finance, and chief financial officer, said that while there was a suspicion of theft or fraud, it was too early to pinpoint the exact extent or area of losses. He refused to confirm or deny a published report that pegged the shortage at more than $20 million, but said that more details should be available shortly. At year-end, Ames operated 321 discount department stores and 142 variety stores in 20 states and the District of Columbia.

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Tuesday Morning Registers Loss, But Announces 3-for-2 Stock Split

DALLAS — Tuesday Morning Inc., the Southwestern deep discounter based here, reported a loss of $162,000 for the first quarter of the year, but also announced a 3-for-2 stock split.

The company reported $27.9 million in sales in fiscal 1986 from its unique method of operation. Tuesday Morning opens its stores only six times a year during top-selling periods and offering only first-quality, name brand products at "50% to 80% off retail prices typically charged by department and specialty stores." The company concentrates on hard lines, but regularly sells limited soft goods such as linens; apparel is sold on an extremely limited seasonal basis, such as with a selection of ties at Father's Day.

Edward Larsen, Tuesday Morning's chief financial officer, noted that the losses were expected and were actually lower than projected. "We opened nine new stores after March of 1986, so fixed costs were higher and increased volume didn't make up for it," he said.

The nine stores opened through March of this year raised the company's total to 71. All are located in various Southern and Southwestern states, Tuesday Morning's usual territory. According to controller Pat Ross, the company has traditionally operated no further north than St. Louis and Washington, D.C. However, that tradition ended early this month with the opening of the first Tuesday Morning store in Chicago.

The company had planned on losses of 7 cents per share; the actual figure was 6 cents per share. Losses for the same period a year ago were $197,000. Sales were up 20% over first quarter 1986.

Larsen said that analysts project a 12 cents to 15 cents per share gain for the second quarter. The company now operates 73 stores in 15 states, including the Chicago opening and one recently opened unit in Colorado Springs.

Tuesday Morning earned $3.61 million net on sales of $62.2 million in 1986. Most of that profit ($3.1 million) was earned during the fourth quarter. Comparable store sales were up 10% over 1985.

61 Vendors Nominated For 10th SPARC Awards

NEW YORK — Sixty-one manufacturers in 18 merchandise categories have been nominated for the 10th annual SPARC (Supplier Performance Awards by Retail Category) awards, announced Raymond Wysocki, SPARC committee chairman and executive vice president, general merchandise manager for Zayre Corp.

The first ballot nominations were made by discount store buyers from the Top 100 chains.

The second and final ballot, which will determine the first, second and third place winners in each category, will be made by general merchandise managers from the Top 100 chains.

The SPARC awards program, sponsored by *Discount Store News*, recognizes manufacturers serving the special needs of the discount store industry. The 1987 awards will be presented at a gala 10th anniversary banquet held in Chicago at the Marriott Hotel (Downtown), Aug. 9. At the same time, *DSN* will announce the Discounter of the Year award (see ballot on page 4 of this issue).

(Continued on page 8)

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—5/11, Discount Store News, 425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Answers to questions below appear somewhere else in this issue.

25 Years Ago This Week:

Gee Mr. Science II: A Norwegian company introduced a combination tape player/cash register, billed as a "talking cash register." No comment on what the thing said.

Dutch Treat: Canadian discounter Towers Marts was planning to sell discount cars—the Daf, a small Dutch automobile expected to sell for less than $1,700.

1. What large discount chain opened the first of four Minneapolis-area stores in suburban Roseville?
a) Target;
b) K mart;
c) Zayre.

20 Years Ago This Week:

Using Technology: Computer programmers cheered Mammoth Mart vp Robert Slattery's statement, "There must be a partnership between management and the EDP operating staff."

Safe Bet: Zayre treasurer Sumner Goldberg predicted that discount volume would "easily" double within the decade, to $30 billion by 1977. His forecast was conservative. Sales hit $47 billion in 1977, reported the *DSN* industry census that year.

2. What Northeastern discounter announced plans to open three Boston stores by 1968?
a) Zayre;
b) Bradlees;
c) Caldor.

10 Years Ago This Week:

Power Shortage: Plagued by a 12% return rate, many discounters were forced to give away new batteries for LED watches. Pamida sidestepped the problem by advertising LED watches as "disposable."

Who Cares?: Inquiring minds were *not* asking about controversial store-level warranties, which S.E. Nichols president Manfred Brecker called "a consumer-interest program in which consumers have absolutely no interest."

3. What discounter predicted it would hit $1 billion in sales in 1980?
a) K mart;
b) Wal-Mart;
c) Mammoth Mart.

5 Years Ago This Week:

Remember Smile Buttons?: Licensed Pac-Man sales continued to soar, but most buyers predicted that the impending introduction of Donkey Kong and Frogger would blow the little blip out of the water. They were half-right.

4. What well-known discounter told its employees that the dissolution of the chain was near?
a) Two Guys;
b) FedMart;
c) Korvette.

1 Year Ago This Week:

No More Mr. Nice Guy: Heck's, reeling from record losses, threatened to stop "coddling" 12 poorly performing stores.

5. What company denied published reports that it planned to sell its Mr. HOW home centers, then sold it?
a) L. Luria;
b) Service Merchandise;
c) Best Products.

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Store Brands Succeed When Retailers Guarantee Quality

Nationwide DSN Report

The success of store brand sales is directly tied to the commitment retailers make to their private label programs and begins at the point-of-purchase, says a new study by the New York City-based Private Label Manufacturers Association (PLMA).

When retailers provide consumers with quality products that are fully guaranteed, at a good price, consumers say they buy a greater number of retailers' store brands.

Consumers also say that their faith in a store brand is enhanced when they see that retailers emphasize quality—as opposed to price—in their store brand advertising. They are quick to cite such advertising.

"A lot of times you'll see them say that the store brands are 'guaranteed quality' in the circulars they mail out," said one consumer. "They should do it more, because I know it made me feel better about buying them [store brands]."

Once convinced of the quality of store brands, customers stay with a particular retailer and the store brands sold there.

When retailers do not include quality and guarantees in their store brand advertising and focus more on price, consumers express less trust and acceptance of those store brand products.

The PLMA study, based on focus group research conducted over a two-year period in four U.S. cities, reflects a broad cross section of consumer attitudes toward and experiences with major mass merchandisers, deep discounters, warehouse stores, membership clubs, supermarkets and drug chains.

Focus Group Answers 'Why'

The focus group format was chosen because the PLMA felt that such groups can answer the "why" that statistical research cannot answer. To provide as broad a cross section of attitudes and experiences as possible, focus group panels were conducted in a medium sized east coast market, a medium sized midwest market, a major metropolitan market, and a rapidly growing sunbelt market. Focus group participants were at least 21 years of age and the primary shopper for a household of two or more. Household income ranged from $15,000 to $25,000 annually.

The study shows that the more sophisticated the shopper is, the more likely such a shopper is to try store brands. Store brand shoppers typically use labels as a basis for comparison and purchase. "If it has the same stuff on the label, to me it's ridiculous to pay more for the national brand," said one member of the focus group.

Regardless of what they purchase, consumers in all four focus group cities generally agree that both store brands and national brands are made by the same manufacturers.

"The national brands make them [store brands] and just put them out under the store's name," said one shopper.

Perceptions Vary by Market

Perceptions of manufacturers and store brand quality vary by market, however; in the medium sized east coast market and in the major metropolitan market, where full-scale private label programs are in place, consumers notice that store brands and national brands often list identical ingredients and grades on their labels. Consequently, focus group members expressed the belief that store brands and national brands are one and the same product, of equal quality, from the same manufacturers.

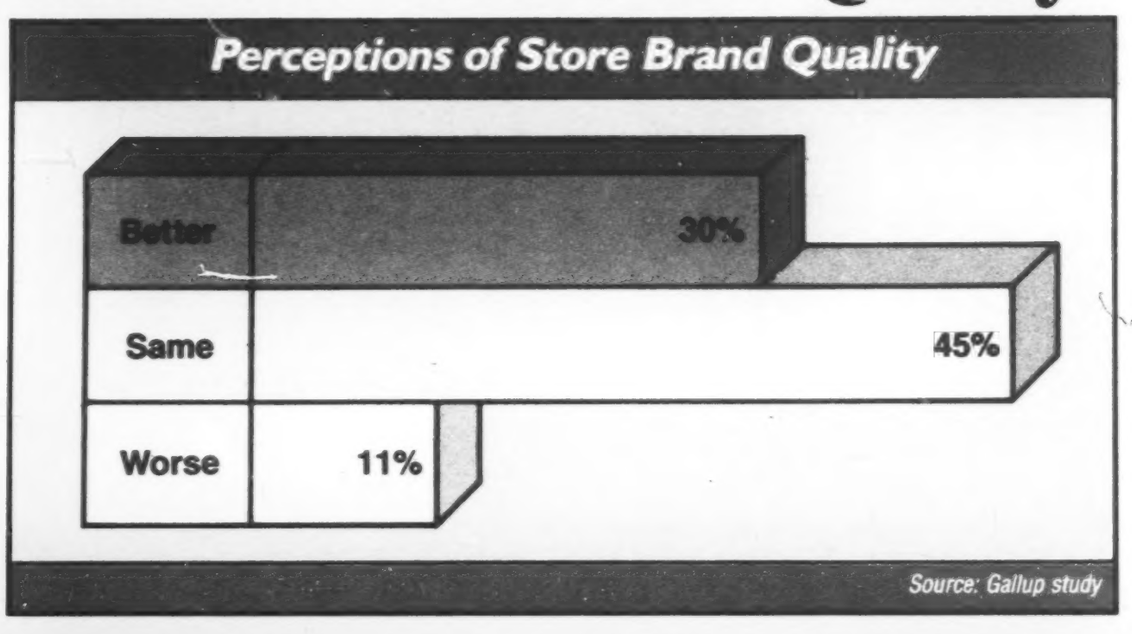
By contrast, members of the focus group in the medium sized midwest market, where private label programs are not as strong, voiced the belief that store brand products were usually overruns or leftovers of national brands. "I think someone buys their surplus from the manufacturers. And that's why the quality varies," opined a midwesterner.

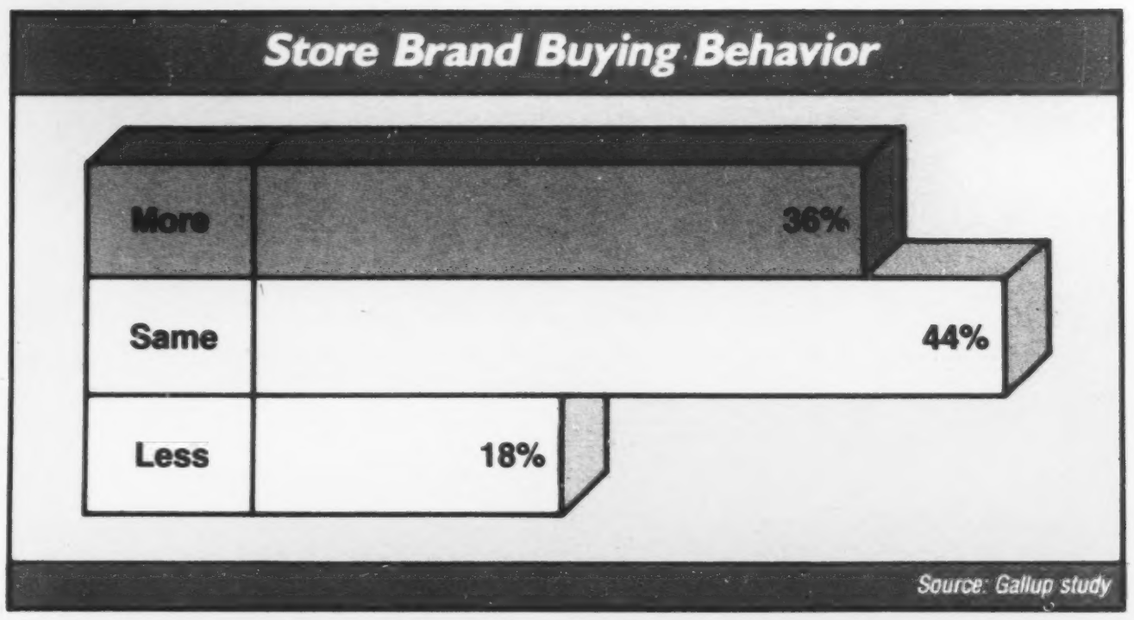
While the key inducement to trying store brands is price, customers do not buy again unless they are satisfied with quality, said the study. Once convinced of store brand quality, customers stay with a particular retailer and the store brands sold there. They say they would switch only if the alternative were cheaper. A product's end-use can be a key factor in influencing a customer's decision to buy a store brand. "Sure, the national brand paper towels do tear at the perforation better, and may be better. But my kids are always tearing off three or four sheets at a time. Why pay for waste?" asked one focus group participant.

Other key findings of the study included:

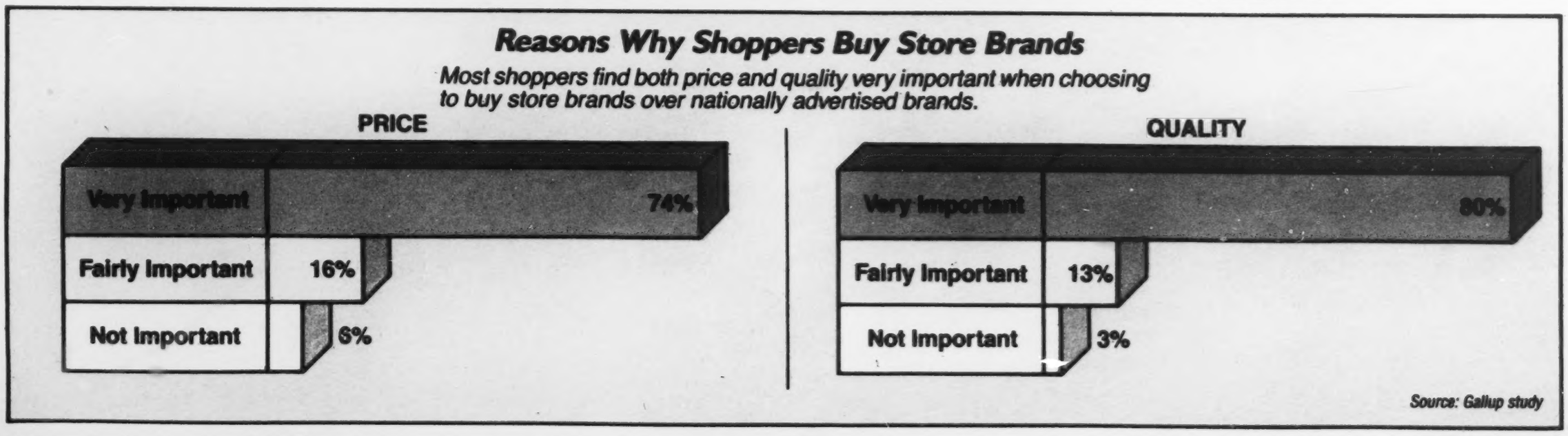
- Consumers are cognizant of which products are the store's own brands, regardless of the name used. They understand how store brands and generics are ranked and positioned against the national brands and believe generics and signature generics are similar to, but of lower quality than, either store brands or national brands. "There's the national, compared to the house brand, and I think they're pretty comparable," said one focus group participant. "And then there's the generic."
- Store brand shoppers use labels and ingredient listings as a basis for comparison to a much greater extent than national brand consumers. They are much more sensitive to the price/quality equation.
- Store brand shoppers tend to promote store brands to friends. In general, the study found, consumers would like more opportunities for store brand trial sizes and in-store sampling.
- Significantly, consumers relate store brands to the name or reputation of the retailer. "To me, if the retailer's name is on it, that says something about the way they have selected whatever packager. Whereas a label that does not carry the store name on, it is to me a more unknown quantity," said one shopper.

The PLMA study was distributed to over 800 PLMA members, including manufacturers, retailers, wholesalers, brokers and suppliers, as well as to a host of others in several retail trade classes.





Store Brands Perform As Well Or Taste as Good As Nationally Advertised Brands
Mostly Agree 50%
Not Sure 10%
Mostly Disagree 40%
Consumers Think Store Brands And National Brands Are Made by the Same Manufacturers
Mostly Agree 65%
Mostly Disagree 16%
Not Sure 19%
Source: Gallup study



22nd NMRI Convention

Market Update

Atlanta Market Embodies Specialty Challenge

(Continued from page 1)

avidly avoids issuing rain checks by transferring advertised discounts to similar items, just to keep shoppers happy and encourage them to return. In this and all Southern markets, one or two associates who walk the stores recently were armed with cordless phones so they can answer consumers who call for help from the sales floor.

K mart, in touting the benefits of "lifestyle scheduling," is keeping its employees happier and more responsive to customers. Employees set their own hours—to fit their lifestyles.

These ploys are helping discounters improve customer service—the aspect of business discounters in Atlanta say will increasingly define their stores in the minds of consumers, who are being offered a host of shopping alternatives.

Atlanta is the fifth fastest growing major market in the country, according to the Census Bureau. Tampa-St. Petersburg, Dallas-Ft. Worth, Phoenix and even Houston have been growing faster, but Atlanta shoppers are clearly the kind that specialty retailers target.

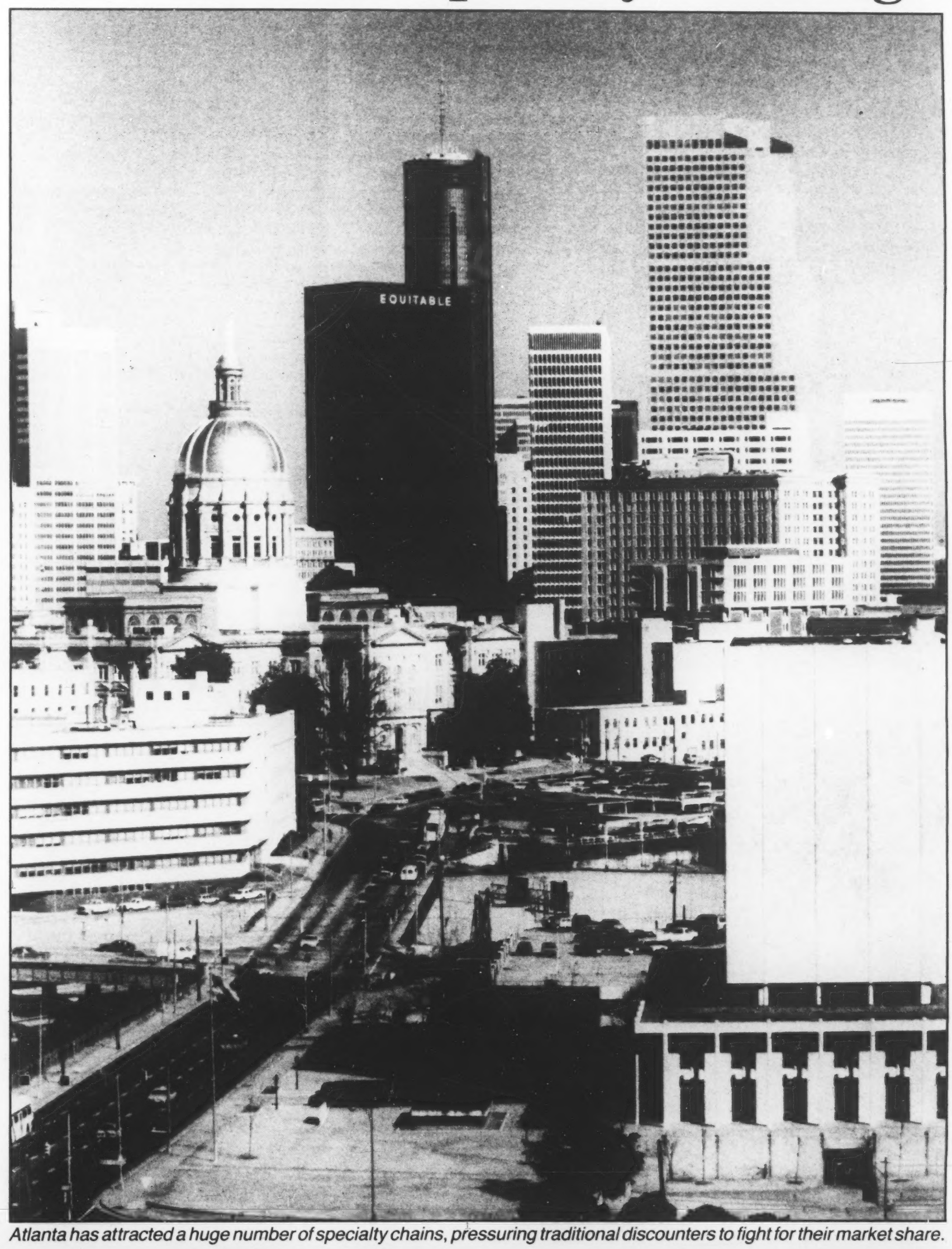
Atlanta's population is full of young aggressive consumers or "retail Rambo's," as they're described by one local retailer. These consumers consider shopping a leisure activity to be pursued with a passion. The result is the fifth highest annual retail sales per household—$19,296—in the country, according to *The Atlanta Journal Constitution*. And the population is still growing.

Facts like these prompted a mass migration of specialty stores to Atlanta in the past three or four years. The discounters—Richway, K mart, Zayre and Wal-Mart—appeared to have established a quiet and peaceful coexistence.

This year, however, both Wal-Mart and K mart are increasing their claims to the market with plans to expand within Atlanta. Wal-Mart, which has operated outside the city's perimeter highway, I-285, will move inside the loop in 1988 with four more stores. K mart, which just sold one of its 32 existing leases to Mervyn's, is planning to unveil another five Atlanta stores over the next 18 months. Two should open this year.

Competitive advantages for the discounters here now relate more to locations and customer service than

(Continued on page 98)



Atlanta has attracted a huge number of specialty chains, pressuring traditional discounters to fight for their market share.

Atlanta's Discount Store Shoppers

30-Day Period

Store	No. of Locations	No. of Shoppers	Shoppers Per Store (Average)*
K mart	32	1,093,000	34,156
Richway	14	942,000	67,286
Wal-Mart	14	463,000	33,071
Woolworth	10	226,000	22,600
Zayre	10	464,000	46,400

** The average number of shoppers per store was determined by dividing the total number of shoppers by the number of locations. This number does not reflect the actual number of shoppers at each location.*

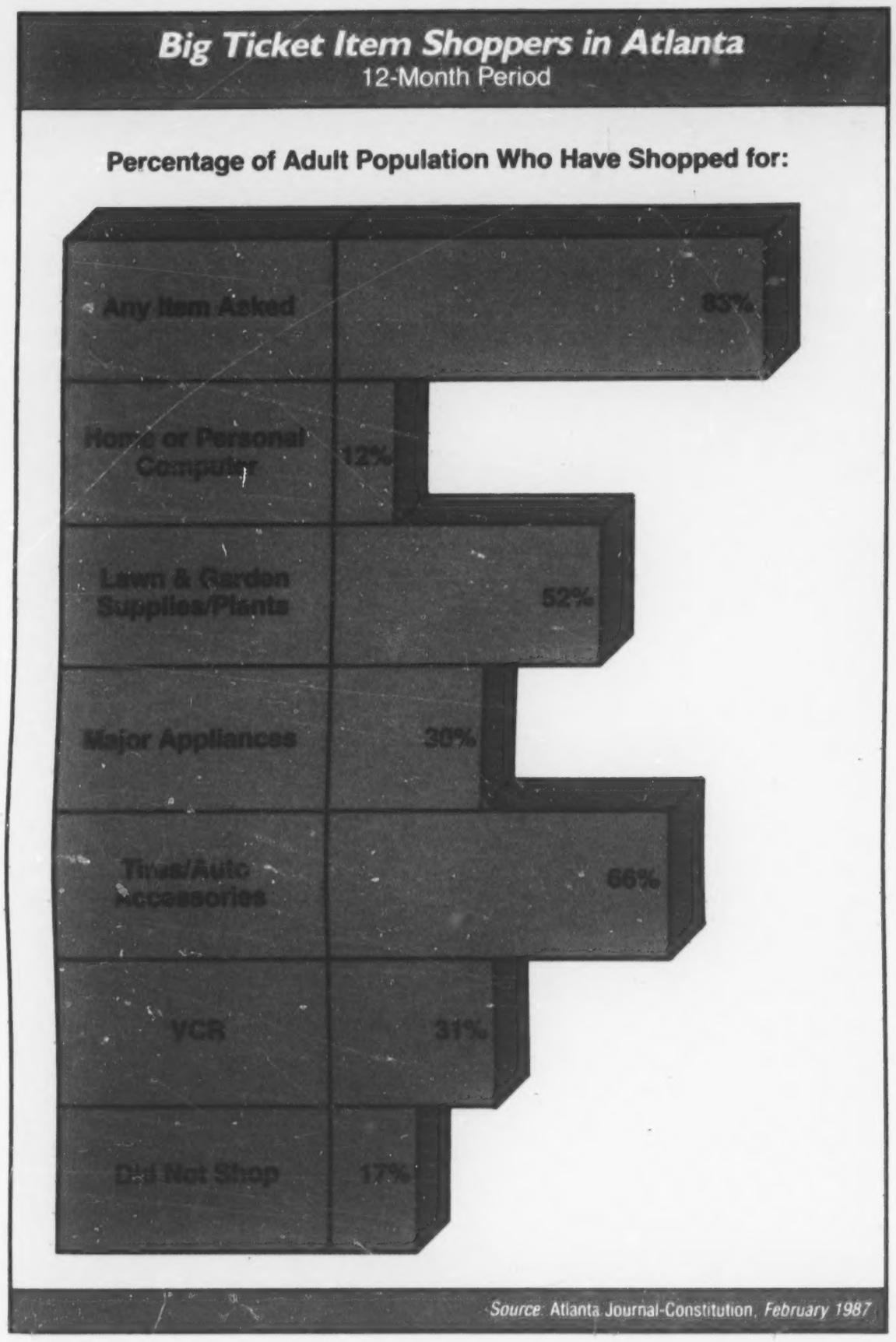
Source: Atlanta Journal-Constitution, *February 1987*

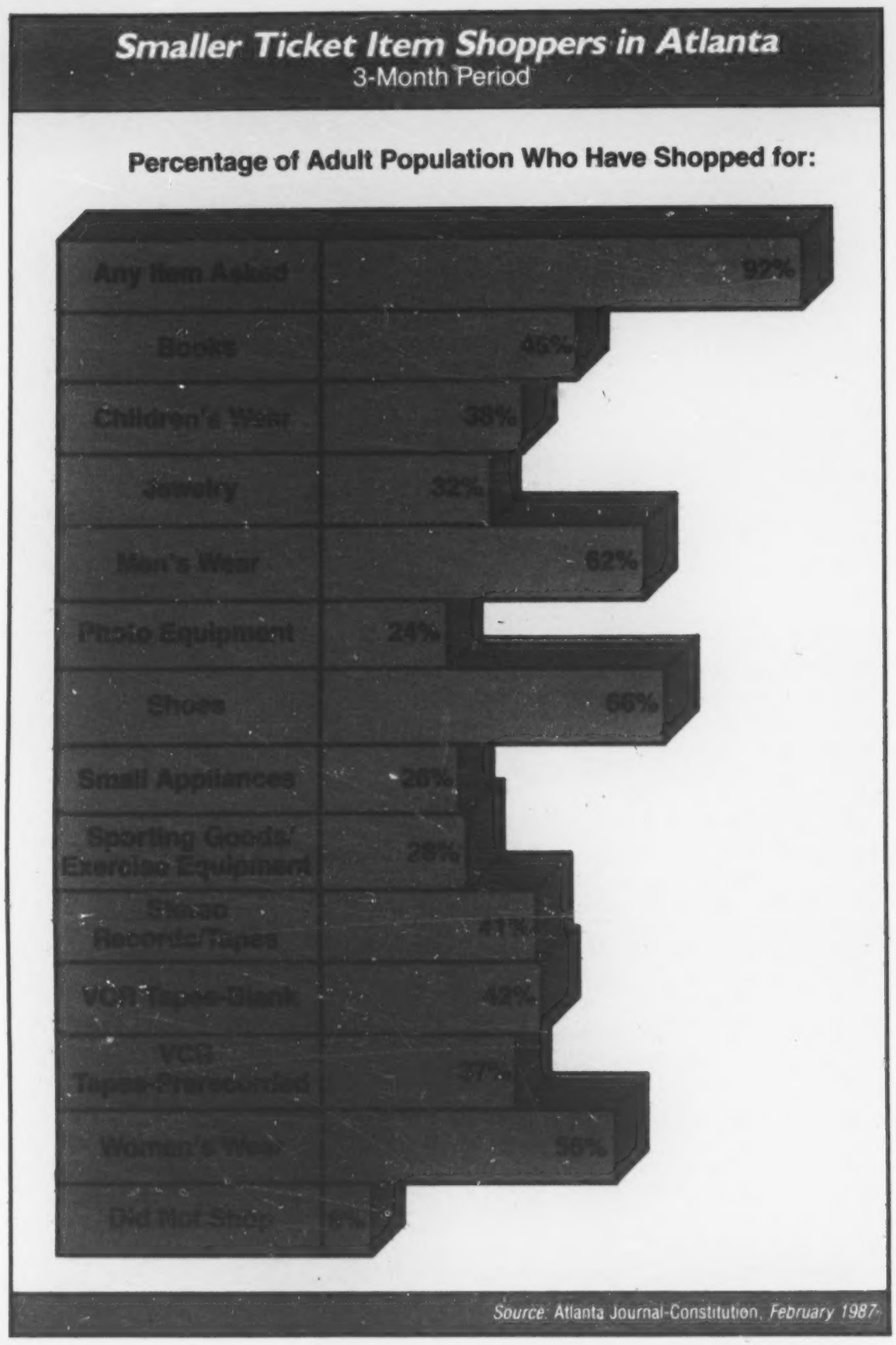
Cross-Shopping Among Discount Store Shoppers in Atlanta

30-Day Period

	K mart	Richway	Wal-Mart	Woolworth	Zayre
Total shoppers	1,093,000	942,000	463,000	226,000	464,000
Percent Who Also Shop at:					
K mart	—	80%	80%	91%	87%
Richway	69%	—	59	66	75
Wal-Mart	34	29	—	35	28
Woolworth	19	16	17	—	32
Zayre	37	37	28	66	—

Source: Atlanta Journal-Constitution, *February 1987*


Big Ticket Item Shoppers in Atlanta
12-Month Period
Percentage of Adult Population Who Have Shopped for:
Any Item Asked 83%
Home or Personal Computer 12%
Lawn & Garden Supplies/Plants 52%
Major Appliances 38%
Tires/Auto Accessories 66%
VCR 31%
Did Not Shop 17%
Source: Atlanta Journal-Constitution, February 1987



Atlanta Market Embodies Challenge of Specialty Chains

(Continued from page 97)

price promotions, reports Floyd Haynes, vp and regional manager for Gold Circle's Region 2 stores, which are still called Richway in Atlanta.

Considered understored just three years ago, Atlanta has emerged as the gateway to the Southeast for many specialty retailers. Specialty store operators looking to establish a foothold in the Southeast increasingly anchor in Atlanta.

Amcena, which operates some 1,300 specialty stores, including Millers Outpost and The Lodge in every other region of the nation, wanted to launch its newest concept—Upton's family apparel stores—in the Southeast, said Irving Sacks, senior vice president of finance and administration. The company chose Atlanta over Miami and Charlotte as its launching pad with three stores here in the fall of 1985 and another four units in 1986.

Dayton-Hudson launched its Brandens operation here a few years ago and later expanded that housewares/home textiles format into Miami and Jacksonville. Two other Dayton-Hudson operations tackled the Southeast last year by opening stores in Atlanta.

West Coast-based Mervyn's family apparel stores made the Southeast part of its territory last year with five Atlanta outlets and will add another this year. Hard lines specialist Lechmere leapfrogged from its Northeastern markets into Atlanta with four stores last fall.

This year Pep Boys, which operates in the Southwest and along the East Coast from Northern New Jersey to Richmond, Va., announced its plans to enter the growing retail population in Atlanta. Between September and December, six of the 20,000-sq.-ft. automotives shops will open here with at least one more slated for 1988. The entry into Atlanta was described as "the beginning of our Southeast market development" by Joe Sarelle, director of construction.

So far, the specialty stores seem to bang away hardest at each other. Late last year, Stereo Village here filed for Chapter 11 bankruptcy protection and has closed its five stores in Atlanta. A company spokesperson said the bankruptcy was a result of internal management problems.

Others in the market point out that Circuit City's arrival with four stores in 1985 heightened the competition among consumer electronics retailers. Earlier this year, off-price apparel retailer Ross stores announced it would shut down its four stores here, citing a saturated retail environment as the reason.

"If it is overstored, I doubt most people have felt it yet," said Peter Cleaveland, regional manager, retail services group at Kurt Salmon Associates. With the number of specialty stores in the area growing, he believes there will be some fallouts, but adds that any saturation of the market by retailers is temporary. The population growth will feed the new retail operations, he said.

Several retailers, however, do consider the market overstored. "Sometimes it is difficult to capture the market share you feel you deserve because the market is so divided up," said Elise Jaffe, director of real estate for the Conn.-based ladies' off-price chain, Dress Barn. Ironically, the way to improve market share is to open more stores so that more shoppers can get to the outlets, she said.

Dress Barn opened four stores last year to bring its Atlanta total to nine. Now, business is on the upswing, said Jaffe. The market can probably support one additional unit, she added.

While real estate costs have jumped phenomenally since the early 1980s, several chains have been expanding within the market. As usual, the larger chains can get a better deal than smaller operators, but one strip center developer here has seen the average rent go up from $13.50 per square foot to almost $19 per square foot in the past three years.

T.J. Maxx, an off-pricer that has been in the market for five years, added two of its family apparel stores last fall, bringing its total to six, reported Bernard Cammarata, chairman. He thinks the market can take another two T.J. Maxx locations and is looking for sites for 1988 openings.

Drug Emporium, the deep-discount operation, opened two more stores in the past 12 months, pushing its presence in Atlanta to 11.

Upton's, which is now facing off with Mervyn's in this market, added four stores last year. Upton's now has seven stores and Mervyn's has five. Upton's is planning two or three more stores here.

At least two of the city's four discounters are back on the expansion trail as well. For Wal-Mart, with 14 stores around the outskirts of Atlanta, the planned expansion moves the chain into the city. Its four store openings scheduled for 1988 include two in Marietta: one on Robinson Rd. and another on U.S. 41. A third is in Stone Mountain and a fourth is in Norcross on Jimmy Carter Blvd.

K mart, which now has 31 stores in the 18-county market area, will push its total to 36 during the next year and a half, according to Roy Johnson, Southern regional manager.

Johnson is one retailer who does not consider Atlanta overstored. He does, however, see the competition toughening as Wal-Mart makes the aggressive move toward downtown and Pep Boys steps in to challenge the chain's automotives business. (Besides its usual auto departments, K mart operates some service centers in Atlanta.)

Johnson and Haynes at Richway both agree that discounters cannot do much to improve their forte—a strong price/promotional stance. They emphasized that chains have to live up to their promises of improved customer service.

"The thing that's going to distinguish any retailer is customer service," said Johnson. "We've got some of the best locations inside and outside of the perimeter. I also feel we've got a super ad program with circulars twice a week."

That leaves service. "When you get to customer service it means you have to hire the right people, happy people," he said. Offering flexible hours to employees who might also be

(Continued on page 102)

Survey Details Price Conscious, Affluent Atlanta Shoppers

Atlanta's Jewelry/ Catalog Showroom Shoppers

30-Day Period

	No. of Locations	No. of Shoppers	% of Adults	Shoppers Per Store (Average)*
Citizens Jewelry	7	174,000	10%	24,857
Service Merchandise/ Ellman's	11	382,000	22	34,727
Shopped Any Jewelry/Catalog Showroom Listed	—	477,000	26	—

*The average number of shoppers per store was determined by dividing the total number of shoppers by the number of locations. The number does not reflect the actual number of shoppers at each location.

Source: Atlanta Journal-Constitution, February 1987

During a 30-day period this year, 26% of Atlanta adults shopped at one of the two major jewelry/catalog showroom chains in the area. Service Merchandise, which purchased Ellman's in 1985, has 11 stores, which drew 22% of Atlanta adults. Citizens Jewelry, with seven units, attracted 10% of adults.

Atlanta's Off-Price Apparel Store Shoppers

30-Day Period

	No. of Locations	No. of Shoppers	% of Adults	Shoppers Per Store (Average)*
Burlington Coats	2	106,000	6%	53,000
Marshalls	5	215,000	12	43,000
Loehmann's	3	107,000	6	35,667
Mervyn's	8	210,000	12	26,250
Ross Dress for Less**	4	44,000	2	11,000
Stein Mart	4	104,000	6	26,000
Shopped Any Off-Price Store Listed	—	537,000	30	—

*The average number of shoppers per store was determined by dividing the total number of shoppers by the number of locations. The number does not reflect the actual number of shoppers at each location.

**Relatively unstable due to small base. Ross is closing its stores this year.

Source: Atlanta Journal-Constitution, February 1987

Among all adults in Atlanta, 537,000 or 30% shopped at least one off-price store during a 30-day period earlier this year. Marshalls has five stores and attracted 215,000 adult shoppers in the 18-county Atlanta market, representing 12% of all adults and an average of 43,000 shoppers per store.

Atlanta's Electronics Store Shoppers

12-Month Period

	No. of Locations	No. of Shoppers	Shoppers Per Store (Average)*
CMC Stereo	10**	205,000	20,500
HiFi Buys	14	172,000	12,286
Stereo Village†	6	140,000	23,333

*The average number of shoppers per store was determined by dividing the total number of shoppers by the number of locations. This number does not reflect the actual number of shoppers at each location.

**One additional store opened since the study was completed, bringing the total number of Atlanta locations to 11 as of December 1986.

***Relatively unstable due to small base.

†Stereo Village has closed its stores in Atlanta.

Source: Atlanta Journal-Constitution, February 1987

About 822,000 Atlanta adults shopped at one of the market's leading specialty electronics chain in the past year. Radio Shack attracted the most shoppers,

Cross-Shopping Among Electronics Store Shoppers in Atlanta

12-Month Period

	CMS	Circuit City	HiFi Buys	Radio Shack	Stereo Village
Total shoppers	205,000	452,000	172,000	535,000	140,000
Percent Who Also Shop at:					
Circuit City	75	—	79	41	54
Radio Shack	64	49	65	—	74

*Stereo Village has closed its stores in Atlanta.

Source: Atlanta Journal-Constitution, February 1987

but newcomer Circuit City drew far more shoppers per store. A large percentage of CMS Stereo and HiFi Buys shoppers also shopped at Circuit City.

Shopper Profile at Atlanta Discount Chains

	1,813,000	100%	1,093,000	100%	60%	942,000	100%	52%	463,000	100%	26%	464,000	100%	26%
Male	855,000	47%	483,000	44%	56%	417,000	44%	49%	188,000	41%	22%	184,000	40%	22%
Female	958,000	53	610,000	56	64	525,000	56	55	275,000	59	29	280,000	60	29
Under $15,000	197,000	11%	106,000	9%	54%	96,000	10%	48%	47,000	10%	24%	57,000	12%	29%
$15,000-$19,999	219,000	12	144,000	13	66	116,000	12	53	53,000	12	24	76,000	16	34
$20,000-$24,999	216,000	12	141,000	13	65	121,000	13	56	62,000	13	29	60,000	13	28
$25,000-$34,999	347,000	19	227,000	21	66	180,000	19	52	90,000	19	26	85,000	18	24
$35,000-$49,999	387,000	21	239,000	22	62	205,000	22	53	96,000	21	25	91,000	20	24
$50,000-$74,999	295,000	16	152,000	14	52	141,000	15	48	77,000	17	26	59,000	13	20
$75,000 & over	152,000	9	84,000	8	55	83,000	9	55	38,000	8	25	36,000	8	24
18-24	281,000	16%	165,000	15%	59%	156,000	17%	56%	71,000	15%	25%	79,000	17%	28%
25-34	516,000	28	299,000	27	58	288,000	31	56	149,000	32	29	121,000	26	23
35-44	402,000	22	251,000	23	62	211,000	22	53	83,000	18	20	110,000	24	27
45-54	235,000	13	160,000	15	68	119,000	13	51	65,000	14	28	61,000	13	26
55-64	178,000	10	100,000	9	56	69,000	7	38	41,000	9	23	31,000	7	17
65 & over	201,000	11	118,000	11	59	99,000	10	49	54,000	12	27	62,000	13	31
White	1,411,000	78%	828,000	76%	59%	735,000	78%	52%	375,000	81%	27%	313,000	67%	22%
Non-white	402,000	22	265,000	24	66	207,000	22	51	88,000	19	22	151,000	33	38
Part H.S. or less	410,000	23%	271,000	25%	66%	215,000	23%	52%	95,000	20%	23%	154,000	33%	38%
High School Graduate	611,000	34	369,000	34	60	300,000	32	49	203,000	44	33	148,000	32	24
Part College	385,000	21	225,000	21	59	196,000	21	51	96,000	21	25	97,000	21	25
College Graduate	244,000	13	148,000	13	61	128,000	13	52	62,000	13	25	51,000	11	21
Postgraduate	163,000	9	80,000	7	49	103,000	11	63	7,000	2	4	14,000	3	8
White-Collar	832,000	46%	503,000	46%	60%	454,000	48%	55%	190,000	41%	23%	188,000	40%	23%
Blue-Collar	290,000	16	166,000	15	57	138,000	15	48	82,000	18	28	68,000	15	23
Other Employed	143,000	8	86,000	8	60	89,000	9	62	53,000	11	37	36,000	8	25
Homemakers	205,000	11	155,000	14	76	100,000	11	49	66,000	14	32	63,000	13	31
Other Not Employed	343,000	19	183,000	17	53	161,000	17	47	72,000	16	21	109,000	24	32
Married	1,105,000	61%	691,000	63%	62%	575,000	61%	52%	320,000	69%	29%	265,000	57%	24%
Single	366,000	20	202,000	19	55	196,000	21	54	85,000	18	23	89,000	19	24
Other	342,000	19	200,000	18	58	171,000	18	50	58,000	13	17	110,000	24	32
Own	1,309,000	72%	804,000	74%	61%	672,000	71%	51%	367,000	79%	28%	317,000	68%	24%
Rent	504,000	28	289,000	26	57	270,000	29	54	96,000	21	19	147,000	32	29
Single Family Unit	1,427,000	79%	880,000	80%	62%	741,000	79%	52%	389,000	84%	27%	365,000	79%	26%
Multifamily Unit	386,000	21	213,000	20	55	201,000	21	52	74,000	16	19	99,000	21	26

Source: Atlanta Journal-Constitution, February 1987

Richway Bolsters Customer Service in Atlanta Home Base

ATLANTA — Richway, which merged with Ohio-based Gold Circle last year, is strengthening its customer service stance in its old hometown of Atlanta, thanks to several new chainwide programs.

Scanning, which was already in use in some Gold Circle stores before the merger, will be set up in Atlanta by this fall, according to Floyd Haynes, vice president and Southern regional manager for the chain. That should cut checkout times, once the system is running smoothly.

Lay-aways will be introduced to Richway shoppers in the market by this summer as Gold Circle expands that customer service throughout the chain, Haynes added.

The merged chain's new management, which includes former Richway executives as well as Gold Circle executives, has also recently restructured the lineup of store level workers to focus more on customer service. Out of eight exempt employees in the store, two, or 25%, are assigned to customer service, said Haynes. In the past, only one of 14 exempt workers was responsible for customer service.

That emphasis on customer service is carried through in training and hiring, Haynes added. The store managers look more for extroverted people when hiring. Plus, the customer service employees must attend and pass management and customer service training seminars. There they are taught how to handle crises at the service desk and how to deal with customers of various personalities.

A year ago, just after the merger, Richway implemented the 'End of the Line' program used at Gold Circle. That policy states that there can never be more than three people on a line unless all the registers are open. The chain also added a portable service desk.

A year ago, just after the merger, Richway implemented the "End of the Line" program that was being used at Gold Circle. That policy states that there can never be more than three people on a line unless all the registers are open. At that time, the chain also adopted a portable service desk. During peak times and on the senior citizen day each week, an auxiliary service desk is set up in the stores to insure fast check approval and quick response to customer inquiries.

Next year, Richway stores here are scheduled to get the first round of retrofits to fit the new chainwide prototype, Haynes added.

With that design, already up in Ohio and the Carolinas (where Richway has been renamed Gold Circle), departments are color-coded and the toy department is moved closer to kids' wear to create a children's world.

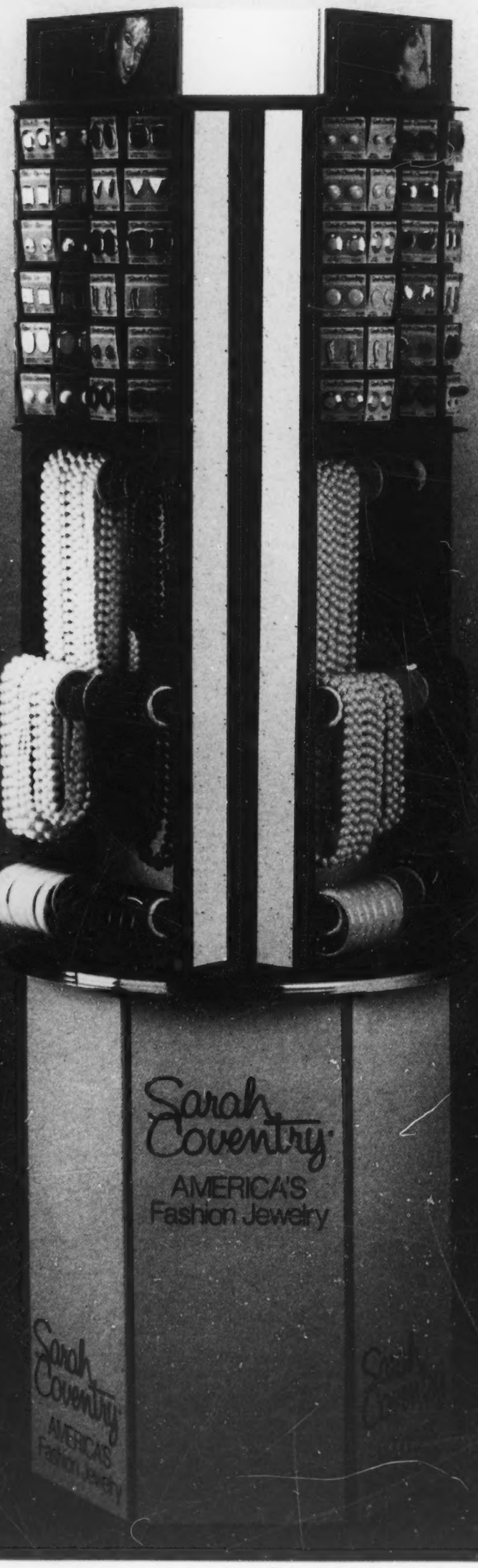
The only question is whether Richway, which has the largest proportion of shoppers to stores among discounters in the Atlanta market, will be renamed Gold Circle here when that new look is unveiled.

Big name, big quality, and now – Color!

Sarah Coventry®
AMERICA'S Fashion Jewelry

Ask your customers who Sarah Coventry is, and 92% of them will be able to tell you – quality fashion jewelry. Attractive to look at. Attractively priced. Attractive to mass merchandisers.

- Free floor displays that take up a little bit of space, but make a big impression.
- Key price points to bridge your low-end fashion goods and your 14 kt. gold.
- Top quality and styling with a lifetime guarantee.
- Pre-ticketed merchandise.
- Servicing and unique in-store promotion by Sarah Coventry's own "blue ribbon" account executives.
- 75% sell-through.
- Free full-color newspaper mats and TV commercials.
- Sarah Coventry's reputation for quality and value.



p&b

Atlanta Embodies Specialty Threat

(Continued from page 100)

students or homemakers helps morale as well as competition in Atlanta for store-level labor.

"Customer service is the way to battle the specialty stores," said Haynes. He admitted that discounters don't compete with all specialty stores, but added that, in Atlanta, "the pie has been sliced pretty thin."

Richway, which was headquartered in Atlanta until it became part of Gold Circle last year, positions itself as the upscaler among discounters here. The merged company has further sharpened that niche by targeting specific categories such as apparel, home textiles, toys and home entertainment where the chain is more dominant in terms of assortment, Haynes explained.

"We can't really take on the home improvement specialists or automotive chains except in the high velocity items," he added.

Some programs borrowed from Gold Circle or instituted since the merger promise to help the customer service stance (see separate story).

Richway's new rain check reducing program is unique to Atlanta, said Haynes. The policy says that if the store runs out of a sale item it will take the same percentage off the price of a similar item—a program that is paying off, he said. Some 60% to 70% of people who would ordinarily get rain checks are opting for the substitution; they do not want to leave empty-handed after making the trip, he said.

Another new service tactic, a "teleservice program" used in Atlanta and other Gold Circle Region 2 stores, has gotten a great response from consumers. Shoppers who dial 25 on one of the in-store service phones ring cordless phones carried by one or two sales-floor associates.

"I truly believe that there's not going to be a lot of difference in assortments and promotions," said Haynes, explaining the nature of the competition Gold Circle faces. "The reason why shoppers go to one retailer over another is going to be customer service."

Target Leads Discounter Expansion in Pacific Northwest

(Continued from page 1)
relatively ignored, as retailers concentrated primarily on such "hot" markets as Southern California, Florida and other Sunbelt areas.

But with many of those markets—Los Angeles in particular—beginning to reach a retail saturation point, discount retailers are now looking closer at the Pacific Northwest. And although discounters are by no means ready to give up on the lucrative California market yet, areas like Beaverton, Ore., and Bellevue, Wash., are beginning to draw increased attention from expanding discount, off-price and promotional chains like Target, ClothesTime, T.J. Maxx and Mervyn's.

However, retailers venturing into this market will not find complacent competition. Regional retailers such as Fred Meyer, G.I. Joe, Bi-Mart, Costco and Pay Less NW dominate this healthy area. And a number of other chains, including K mart, Marshalls and Price Savers, have preceded the newcomers into the market.

The most riveting and extensive expansion plan to hit the area was revealed in March when Target announced its plans to place 35 stores in Washington and Oregon by 1992 (see *DSN*, March 30, page 2).

According to the Sherwood Group, developers for Target, a planned blanketing of the area is now almost necessary for the retailer's success in the market, because of the existing competition and economies of scale associated with advertising costs.

"We're seeing retailers coming in now and doing major penetration," noted Sherwood Group president and chairman, Sherwood Korssjoen.

"I definitely think there is a niche that they [Target] can fill," said Ralph Siegel, an analyst in the Seattle office of Touche Ross, the accounting and management consulting firm.

In penetrating the market, Minneapolis-based Target strategically looked for areas in the Portland and Seattle markets where it could "get the dominant share by being in the right locations," explained Dan Pebbles, director of retail marketing for the Sherwood Group.

Part of Target's planning strategy rested with careful evaluation of the various regions in the Pacific Northwest, according to Pebbles. If an area was strong, in terms of good sales potential and weak competition, Target chose to go into the location right away, Pebbles noted. But in weaker, more competitive and less critical areas, he said Target planned for later development.

Although the reason for the relatively sudden appeal of the Washington/Oregon area is hard to pinpoint, Korssjoen pointed out that the "available market share in this community is significantly greater" than in other parts of the country.

Also working to increase the areas' popularity has been the recent real estate scouting by out-of-state developers. Korssjoen said these firms have checked out much of the area and then passed on their findings to their nationwide retail clients.

Target's move into the Pacific Northwest will not only increase the Dayton-Hudson subsidiary's current store count of 252, but is also expected to bring in other retailers on its coattails, since all of the Target stores will be built in new locations—primarily strip centers. According to Pebbles, other chains, including Marshalls, T.J. Maxx and ClothesTime, are interested in following Target into many of the locations.

However, a number of these off-price chains said they are not going to hold up their own expansion plans while waiting for Target, since the first wave of Target stores are not set to open until July of 1988.

Rapidly expanding ClothesTime—with a current store count of 272, and plans to have 800 to 1,000 stores in the next five years—already has four stores in Oregon and 13 in Washington. According to a real estate representative for the Anaheim, Calif.-based chain, the retailer will continue to develop stores in the Northwest.

The off-pricer is opening a store in Oregon this month and three more outlets in Washington. Future plans call for another four stores in Washington and three more in Oregon.

Natick, Mass.-based T.J. Maxx, a subsidiary of the Zayre discount department store chain, entered the market just last year with one store in Washington. The retailer has since opened an Oregon outlet, with a third area store set to open this month in Vancouver, Wash. Its entrance into the Pacific Northwest represents just the start of the off-pricer's move to the West Coast. According to a company spokesperson, T.J. Maxx plans on also opening 10 stores in California this year (see story, page 1).

The timing of the move west for 228-store T.J. Maxx was dependent on the opening of a distribution center last year in Evansville, Ind., and the ongoing goal of opening 35 new stores a year.

Hayward, Calif.-based Mervyn's, another division of the Dayton-Hudson department store company, has also taken a stand in the area with five stores in Oregon and six in Washington. According to the company, one new Washington store already opened this year in Bellevue, and two stores are set to open this summer in Everett, Wash., and Salem, Ore.

Although the promotional retailer is opening stores in the Pacific Northwest, a spokesperson said this area is not currently the company's focus for growth. Instead, of 24 Mervyn's stores slated to open this year, the majority will be located in the state of Michigan.

Wakefield, Mass.-based Marshalls entered the Portland/Seattle area in 1984. The 266-store off-pricer is "actively looking to in-fill stores in both Portland and Seattle," according to Pebbles, whose company is also a developer for Marshalls.

These relatively new-to-the-area retailers will meet stiff competition from Fred Meyer, the 94-store Portland-based discount chain with widespread consumer appeal throughout the Northwest. Fred Meyer, which went public last year, currently has 40 stores in Oregon and 24 stores in Washington. This year, the company plans to open additional stores in Marysville, Wash., and two in Oregon—in Klamath Falls and Portland.

According to the Sherwood Group's Pebbles, Fred Meyer is already preparing for the entrance of Target by increasing its advertising and "making its stores look more upscale." Pebbles said Fred Meyer is also looking to beat Target to some locations, and is "shoring up its defenses and looking to do battle."

Bi-Mart also has established penetration in the Pacific Northwest, but the Eugene, Ore.-based company's plans call for development in some of the states' smaller communities.

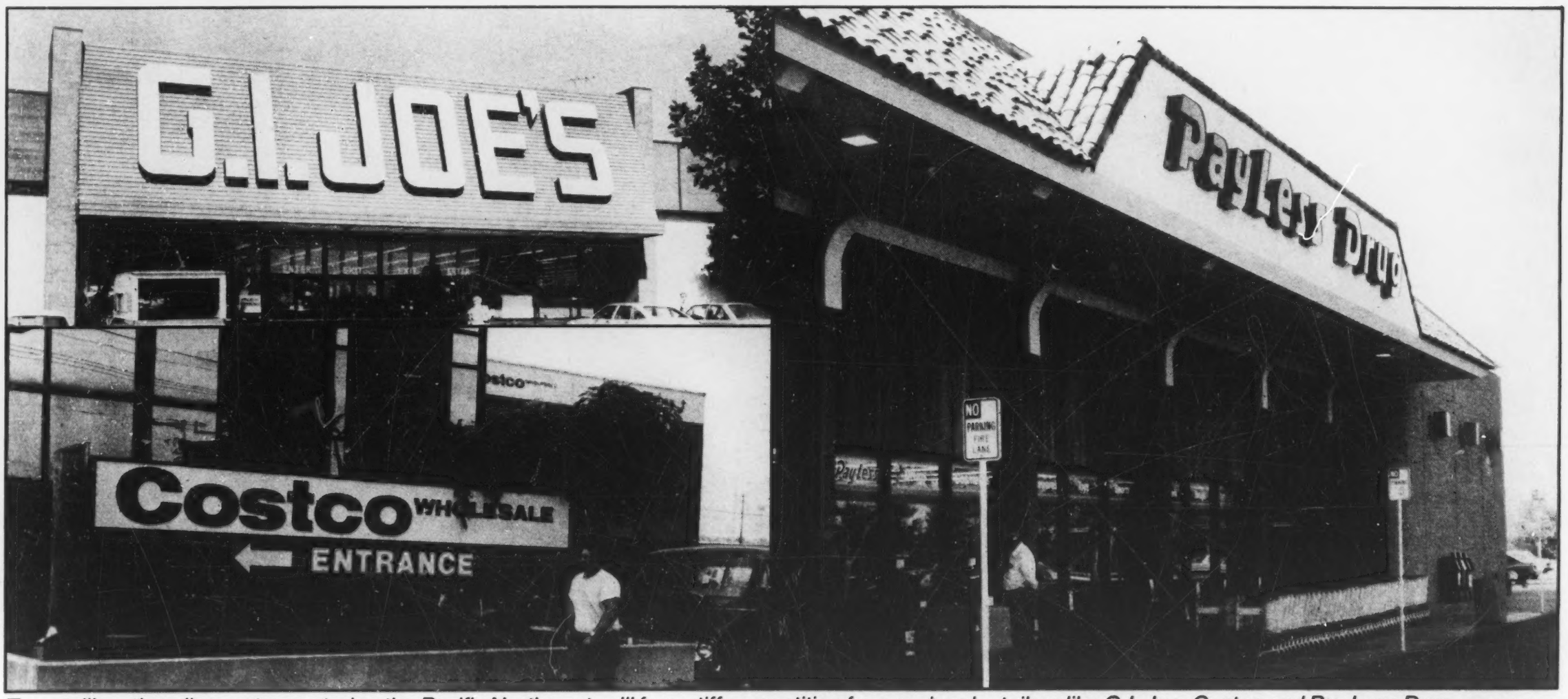
"We feel there are a lot of potential sites in Washington and Oregon," explained Don Leber, advertising director for the 34-store chain. Although Leber said the discounter is already in some of the areas Target will be invading, Bi-Mart's growth

(Continued on page 106)

Store Counts of Leading Discounters In Pacific Northwest

Chain	Total Stores	Oregon	Washington	Total Pac NW
Pay Less NW	219	40	37	77
Fred Meyer	94	40	24	64
K mart	2,086	22	32	54
Target	252	12	23	35
Bi-Mart	34	30	4	34
ClothesTime	272	4	13	17
Ross	126	5	7	12
G.I. Joe	11	11	0	11
Mervyn's	180	5	6	11
Costco	38	4	7	11
T. J. Maxx	228	1	1	2
Price Savers	6	0	2	2
Marshalls	266	NA	NA	NA

*Store openings planned between 1988 and 1992
NA: Not available
Source: DSN research



Target, like other discounters entering the Pacific Northwest, will face stiff competition from regional retailers like G.I. Joe, Costco and Pay Less Drug. (DSN photos)

Seattle Market Holds Great Potential for Retail Expansion

SEATTLE — Surrounding the eastern side of Washington's massive Puget Sound waterway is the bulk of the state's population and growth, with Seattle at its hub.

Located in King County, Seattle combines with other area cities,like Renton, Bellevue, Kent and Auburn, to comprise some 31% of the state's population, or 1.37 billion people.

Like Portland, this area has also worked in recent years to diversify its economic reliance on just a few industries. Although Boeing and the timber industry still occupy a majority of the workforce, Pacific Rim trade, financial businesses and many service industries are creating varied forms of employment.

With its large harbors and ports, the Puget Sound area is especially seeking to develop its trade with the Orient. Recent restrictions by the United States have caused some worry among the import/export businesses in the area, but area analysts expect little short-term problems from this action.

Currently, the average 1986 income per household for King County, according to estimates, is $34,757. And when combined with the nearby counties, this area managed to spend nearly $10 billion at retail during 1986, with $1.1 million going to general merchandise, while $638 million was spent on apparel. When not spending dollars at retail, typical leisure activities for this area include hiking, skiing, boating, swimming and hunting.

Future growth for the region is expected to run south from Seattle, along Lake Washington, to and including the Tacoma area. While several malls exist in these areas, developers expect more strip centers and small community malls to hold the bulk of the future growth.

Leading Discounter TV Advertisers In Seattle Market

Fred Meyer's dominant position in Seattle TV expenditures illustrates the chain's dominant position in the market.

Chain	1985	1986	% Change
Fred Meyer	$992,900	$1,243,600	25%
Lamont	—	597,300	+ Infinite
Ross Stores	220,900	519,300	135
Pay 'n Save	698,300	351,200	– 50
Best Products	—	317,700	+ Infinite
K mart	207,600	105,800	– 49

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data

Target Leads Expansion in the Pacific Northwest

(Continued from page 105)

plans will focus on markets that are generally smaller than those eyed by Target.

Costco, the Seattle-based membership warehouse club chain, currently operates 38 warehouses—four in Oregon and seven in Washington, with an eighth planned to open this year. The only membership club competition Costco has faced here to date has been from Price Savers, which has only two warehouse clubs in Washington.

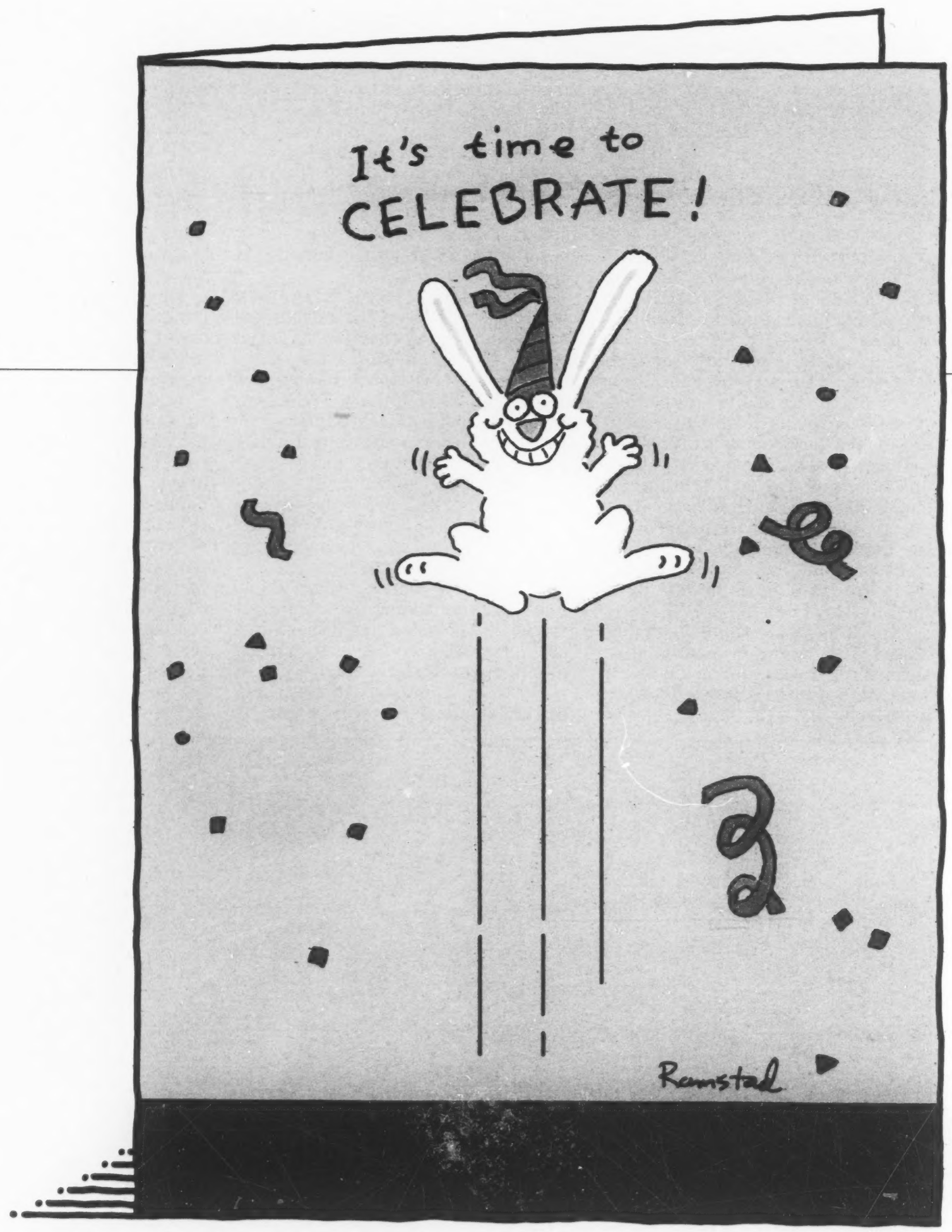
Troy, Mich.-based K mart has been in the area some time and has established 54 stores. But, despite this penetration, area analysts said the market has not been a strong one for K mart.

However, the retailer said it had just opened an outlet in Port Orchard, Wash., and has another store under construction as well as two more sites currently under consideration.

Among the leading specialty retailers here, Toys "R" Us just announced the opening of its fifth outlet in the Puget Sound area. This location, near Federal Way, combines with stores in Bellevue, Lynnwood, Tacoma and Southcenter to give the Rochelle Park, N.J.-based retailer a strong foothold in the market.

But, while retail growth in the area is strong now, analysts here do not expect the retail opportunities to last forever, especially after chains like Target take up potential development sites.

Answers:
1. a, 2. c, 3. b, 4. b, 5. b



Ethnic Shoppers Alter Merchandising, Marketing Plans

(Continued from page 1)

chandising efforts by discount chains here. In two years, sales per household jumped over 25% from $15,178 in 1984 to $19,353 in 1986, according to figures in *Sales and Marketing Management*. The average Miami consumer spends more each year than shoppers in Atlanta, Dallas and Denver.

To capitalize on this spending binge, retailers here have announced plans to add more stores.

L. Luria will add two more stores by year-end for a total of nine showrooms. Miami newcomer BJ's Wholesale Club will open the doors of its second membership warehouse club this month. Zayre opened eight stores last year for a total of 29 Miami locations.

K mart district manager Frank Lucas said he has given the discounter's Troy, Mich., headquarters a list of five store site suggestions to supplement the 12 already standing in the Greater Miami area. Two combination K mart/Builders Square (K mart's warehouse home center subsidiary) stores were opened here last year.

Despite these proposed and actual store openings, current statistics from *The Miami Herald* market research department (see chart below) indicated that discount department stores have been slowly losing market share. Dade County adults who shopped at K mart fell off from 45% in 1983 to 37% in 1985, the most recent year for which figures are available. Zayre experienced a 2% decline to 36% during the same time period.

Catalog showrooms, off-pricers and department stores fared better. L. Luria & Sons' share of the adult shoppers rose from 16% in 1983 to 19% in '85; Service Merchandise experienced a three-point increase to 18%.

Off-pricer Marshall's climbed three points to 11%, while department store chains such as Burdines and Jordan Marsh registered strong increases. Capturing market share is becoming synonymous with attracting the Cuban shopper.

Miami is the heart of Dade County. Between 1970 and 1985, the percentage of Latinos within that county rose from 24% to over 43% of the population, according to the Census Bureau and Strategy Research, a media-sponsored research organization, bringing the total number of Latin people to 853,200. Preliminary estimates for January 1987 update that number to 936,200.

The Cuban minority—which is quickly becoming a Miami majority—has several virtures that make these customers a prime target for retailers.

Among Hispanics, Cubans were described as having the highest income and education level and the lowest unemployment rate, according to a 1985 minority study conducted by Management Horizons, the research arm of Price Waterhouse.

To attract these Hispanic shoppers, retailers are adding merchandise that appeals to Cuban customers.

Lucas, K mart's district manager in Dade County, said the chain has had to rework its assortments in records, stationery, housewares and clothing to meet Cuban needs.

Retailers are adding merchandise to attract Hispanic shoppers, and Cubans in particular.

"Latins use different kinds of cooking utensils," said Lucas. "One example is the rice pot. If nothing else were available, they could make due with a typical pot, but chances are they would go somewhere else to find the specific item.

"Latins also like to drink strong coffee in demitasse cups. We didn't carry them in the past," Lucas said. Miami K mart stores have gradually increased the Latin cookware section of their housewares department to its current 25 linear feet.

Leonard Luria, president of catalog showroom operator L. Luria & Sons, said his company has made similar changes in housewares merchandise. His showrooms have eliminated Lenox, Hummel and other lines that do not fit into a typical Latin household.

"You don't need many different items to sell to the Latin market," said Luria. "If they like chicken and rice, don't give them steak. Ethnics like to buy from people they feel comfortable with—and we are an ethnic store. Store help in Spanish areas are primarily Spanish themselves," said Luria.

But keeping well-stocked in Latin music is a little more difficult than having the right cookware, especially as the proportion of Central and South Americans in the Miami Hispanic community rises.

"Each country has its own kind of music and to keep up to date in each means carrying an extensive assortment of Latin records and tapes," Lucas of K mart said.

In the stationery department, the greeting cards assortment had to include a selection of Spanish verse.

"At first the card company we work with tried to take an American card and translate it word for word and that just doesn't work at all. We ended up insulting our customers. Some things do not translate. Now we have a manufacturer that deals just in Latin greeting cards," Lucas said.

The Hispanic male tends to have a

(Continued on page 110)

Dade County Population: 1970-1985

Year	Total Population	Latin Population	Percent Latin
1970	1,267,792	299,217	23.6%
1975	1,457,800	478,500	32.8
1980	1,625,781	580,994	35.7
1983	1,888,600	785,100	42.0
1985	1,979,600	853,200	43.1

Source: U.S. Commerce Department; Bureau of the Census, Strategy Research Corp.

Country of Origin of Head of Household Among Latin Miami Residents

	1970	1975	1978	1980	1983	1985
Cuba	87.3%	84.7%	80.2%	79.9%	84.0%	78.1%
Central America	0.8	1.7	1.5	4.3	4.3	9.3
South America	4.9	2.4	5.9	8.2	5.1	8.2
Puerto Rico	2.9	6.9	7.4	5.7	2.3	3.0
Spain	3.1	2.4	2.2	1.5	0.3	0.7
Other	1.0	1.9	2.7	0.4	1.0	0.7

Source: Strategy Research Corp.

Miami Annual Household Income: 1985

Income Group	Latin	Anglo
Under $6,000	11.7%	7.5%
$6,000-$11,999	13.8	11.6
$12,000-$17,999	13.2	12.2
$18,000-$23,999	12.1	12.2
$24,000-$29,999	9.9	11.6
$30,000-$43,999	15.7	18.3
$44,000 and Over	23.6	26.6
Mean Average Income	$24,996	$30,920
Median Average Income	23,598	27,363

Source: Strategy Research Corp.

Where South Florida Shops

	Dade County % of Adults Shopping That Store			Broward County % of Adults Shopping That Store		
	1983	1984	1985	1983	1984	1985
Discount Stores						
K mart	45%	42%	37%	56%	46%	46%
Zayre	38	38	36	33	29	36
Richway	2	2	2	24	25	27
Marshall's	8	9	11	12	10	16
Catalog Showrooms						
Service Merchandise	15	16	18	21	16	18
Luria	16	17	19	13	10	13
Best	12	12	11	12	9	12
Department Stores						
Sears	36	36	39	42	45	44
Burdines	36	35	51	39	39	47
Jordan Marsh	27	25	31	34	33	34
JC Penney	21	23	32	31	32	37
J Byrons	21	20	25	23	24	31

Source: The Miami Herald; *Rife Market Research*

Ethnic Consumers Alter Chains' Merchandising, Marketing

Leading Discounter TV Advertisers In Miami Market

Chain	1985	1986	% Change
Eckerd	$2,190,200	$2,823,000	29%
Zayre	765,400	1,118,600	46
Gray Drug	224,200	509,000	127
Dollar General	308,900	409,900	33
K mart	572,200	232,900	– 59
L. Luria & Sons	193,400	197,300	2
Woolworth	—	158,000	+ Infinite
Service Merchandise	515,800	124,800	– 76
Marshalls	573,900	108,400	– 81

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data

(Continued from page 108)
smaller frame than non-Hispanic whites, so the size assortment in men's wear was altered, Lucas said. In the women's apparel department, a broader array of colored hosiery and accessories was brought into Miami stores. "The Latin woman is very style conscious, probably more so than the white shopper. She needs to color coordinate her outerwear with everything else she wears and tends to like brighter colors," Lucas added.

Advertising poses its own set of problems. While there are only one or two primary newspapers for the non-Hispanic white population, there can be nearly a dozen Latin newspapers within a given region, not one of them dominant.

Drug store chains drive the television advertising, while Zayre and Dollar General (formerly Eagle stores) are also among the four largest discounter spenders, according to recent statistics from the Television Bureau of Advertising (TvB). The sudden 127% rise in Gray Drug expenditures was no doubt affected by Rite Aid's purchase of 81 stores in southern Florida during the fourth quarter of 1986.

K mart's 59% drop in television advertising spending appears to reflect the chain's overall decrease in spot market TV spending while increasing national TV campaigns.

Spanish-speaking radio stations often take a firm political stand. Retailers must be careful not to get entangled in a political fray by appearing to endorse a particular view via the radio station where they advertise.

Another medium for reaching the Hispanic population here, radio, also presents some unique problems. Spanish-speaking radio stations, while not as numerous as newspapers, often take a firm political stand both in terms of happenings here and abroad. The retailer must be careful not to get entangled in a political fray by appearing to endorse one view or the other via where it places its advertising.

While retailers agree that Miami is one of the toughest markets in terms of competition from other chains as well as numerous Hispanic mom and pop stores, it appears to be worth the fight.

"This is a saturated market, but we're blessed that the Latins continue to move in," Lucas said. "I recently heard some statistics that 7,000 people move to the state of Florida every day. People are stacking on top of one another," he added.

As long as the population continues to grow and the number of retailers remains fairly constant, sales and profits should be strong. With central Miami at the saturation point, the western (inland) edge of the county is where Lucas expects the growth to occur.

"There's nowhere else to go in Miami. East is Everglades and everywhere else is saturated," he explained.

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Marketing

TV Spending Propels Ad Budgets to New Highs

Nationwide DSN Report

Led by Circuit City, the Virginia-based consumer electronics chain, and Wal-Mart, the giant Arkansas-based discount department store retailer, the 25 leading discount store television advertisers increased their TV ad expenditures by 22% last year.

At the same time, half the discount stores interviewed in a recent survey said they expect to increase their total advertising budgets—by a mean of 5.2%—in 1987. They said their TV advertising expenditures this year on would rise to 8.3% of total consumer ad spending, from 7.7% in 1986.

Clearly, discount stores are betting that a heavier investment in advertising will help them maintain and increase their share of the retail market. And, more than ever, they are staking a larger portion of the ad budgets on television to reach the consumer of today (and tomorrow) with their message.

Total TV expenditures by the top 25 discounter TV advertisers rose to $238.2 million last year, from $195.4 million in 1985. Circuit City posted a 160% increase in TV spending to $16.3 million, lifting the nation's largest CE chain to fourth place on the top TV advertiser list.

Wal-Mart made dramatic gains in TV advertising last year, investing $30.2 million in the electronic medium. TV expenditures by the fast-growing discount department store chain were up 88% over 1985. The chain closed a huge spending gap on No. 1, K mart, which maintained its premiere ranking with a 19% gain in TV expenditures to $39.9 million.

Increase in Network Spending

Reflecting the use of more institutional and image commercials, the bulk of K mart's increase was in network TV spending, which went up 62.3% to $26.3 million. Spot market spending by the nation's largest discount chain fell off by close to 21%.

Toys "R" Us was the only other top discounter to register any network TV spending, according to the Television Bureau of Advertising (TvB), which compiles its TV spending figures from Broadcast Advertisers Reports data. However, with declines in both national network and spot TV expenditures, the Rochelle, N.J.-based toy chain registered the largest percentage decrease in TV expenditures among the top 25 spenders. Toys "R" Us cut back on its TV spending by nearly $3.7 million last year, dropping four notches from fourth to eighth on the list.

After Circuit City and Wal-Mart, the other leading percentage gainers were Best Products, up 55%; Bradlees, up 53%; Caldor, up 37%; Lechmere, up 33%; Crazy Eddie, up 29%; Meijer, up 28%; T.J. Maxx, up 24%; and The Federated Group, up 20%.

As a group, the five top-spending discount department store chains, K mart, Wal-Mart, Target, Hills and Zayre, spent 42% more on TV commercials last year than they did in 1985. The top five CE specialty chains in TV ad spending, Highland Superstores, Circuit City, Silo, The Federated Group and Newmark & Lewis, increased their TV spending by 34.9% last year.

Leading Discount Store Television Advertisers: 1985-1986

	1985			1986			1985-1986
	Network TV	Spot TV	Total TV	Network TV	Spot TV	Total TV	% Change
K mart	$16,221,800	$17,184,400	$33,406,200	$26,332,900	$13,583,700	$39,916,600	19
Wal-Mart		16,076,700	16,076,700		30,179,500	30,179,500	88
Highland		15,988,500	15,988,500		18,830,200	18,830,200	18
Circuit City		6,270,500	6,270,500		16,286,000	16,286,000	160
Target		11,843,00	11,843,000		12,405,500	12,405,500	5
Burlington		9,322,900	9,322,900		11,047,800	11,047,800	19
Marshalls		10,603,700	10,603,700		10,750,200	10,750,200	1
Toys "R" Us*	3,294,000	10,780,600	14,074,600	2,056,800	8,365,600	10,422,400	– 26
Hills		10,234,800	10,234,800		9,819,600	9,819,600	– 4
Zayre		8,234,100	8,234,100		9,320,500	9,320,500	13
Silo		8,122,800	8,122,800		7,933,600	7,933,600	– 2
Federated Group		6,270,600	6,270,600		7,513,100	7,513,100	20
Fretter		5,550,700	5,550,700		6,587,400	6,587,400	19
T. J. Maxx		5,176,000	5,176,000		6,395,000	6,395,000	24
Caldor		4,266,600	4,266,600		5,858,200	5,858,200	37
Bradlees		3,177,700	3,177,700		4,852,600	4,852,600	53
Newmark & Lewis		4,355,100	4,355,100		4,776,400	4,776,400	10
Fred Meyer		4,529,000	4,529,000		4,552,000	4,552,000	1
Crazy Eddie		2,793,000	2,793,000		3,601,600	3,601,600	29
Rose's		3,198,100	3,198,100		3,352,300	3,352,300	5
Venture		3,444,000	3,444,000		3,279,300	3,279,300	– 5
Syms		2,917,400	2,917,400		2,942,100	2,942,100	1
Meijer		2,212,900	2,212,900		2,822,800	2,822,800	28
Best		1,756,200	1,756,200		2,728,200	2,728,200	55
Lechmere		1,533,600	1,533,500		2,041,600	2,041,600	33
Total Top 25	19,515,800	175,842,900	195,358,600	28,389,700	209,824,800	238,214,500	22

*Does not include syndicated barter advertising on television. In 1986, Toys "R" Us had estimated billings on this type of program amounting to $1,757,600. No comparable figure is available for 1985 since monitoring of this activity was begun in 1986.

Source: Television Bureau of Advertising from analysis of Broadcast Advertisers Reports data. Co-op activity by these advertisers is not included—BAR generally credits this activity to the manufacturer.

Three chains dropped out of the top 25 list this year. Target's acquisition of Gemco erased the West Coast chain from the top spenders. Service Merchandise, which spent $8.3 million on TV ads in 1985, cut back by 75% to just $2.1 million last year, according to the TvB figures. K mart's discount drug store subsidiary reduced its TV spending from $2.1 million in 1985 to $1.7 million last year.

Worthington, Ohio-based Gold Circle did not make the top 25 list in either of the past two years. Yet, the discount chain showed its increased commitment to TV advertising with a 109% gain in TV ad spending to $839,600 in 1986.

While TV ad spending is growing at most of the major discount chains, discounters' expenditures on newspaper and magazine ads has been declining slightly. According to a recent survey by the Chicago research firm Leo J. Shapiro & Associates for *DSN's* sister publication, *Chain Store Age/Executive*, discount chains spend the highest proportion of their consumer advertising dollars on newspaper and magazine ads, but less than a majority of their total ad budgets is spent in this area. From 1985 to 1987 (projected), average discounters' newspaper and magazine expenditures have slipped from 49% of their total budget in 1985 to an expected 47.3% of budget this year.

Direct mail, which garners the second largest portion of discounters' ad budgets, has been rising: 28.6% of total consumer ad spending in 1985; 29.2% in 1986; and an anticipated 30.1% in 1987.

In '85 and '86, average expenditures by discounters were slightly higher for radio advertising than for television. In 1987, discounters expect to devote 8.3% of their ad dollars to TV commercials vs. 7.5% for radio.

Compared to discount stores, apparel specialty stores spend a larger, but still declining, percentage of their ad budgets in newspapers and magazines. These stores, according to the survey, reported spending 63.6% of total ad bucks on newspapers and magazines in 1985; 61.4% in '86; and expect to devote 59.4% of their ad budgets to this area in '87.

Direct mail has increased from 12.4% of total ad spending in 1985, to 13.6% in 1986 and an anticipated 14.5% this year. Both radio (9.1%) and point-of-purchase materials (9%) will rank ahead of TV ad spending (5.6%) this year at apparel specialty chains. But, TV spending has been on the rise at these stores, climbing from just 3.1% of total ad expenditures in 1985.

The Shapiro survey also showed that discounters ranked second to department stores in the percentage of total dollar sales volume spent on consumer advertising. The 30 discount stores in the survey projected they would devote a mean of 2.9% of sales to their total advertising in 1987. The 30 apparel stores said their advertising budget would constitute about 2.6% of total sales this year.

The study compared advertising budgets and expenditures among discount stores, apparel specialty stores, department stores, drug stores, supermarkets and home centers.

Six out of 10 discount stores in the survey said their advertising expenditures rose in 1986 compared to 1985. They pegged that increase at an average of 6.6%. When asked about planned increases in 1987, five out of 10 discount stores said they would increase ad expenditures this year—by an average gain of 5.2%.

Apparel specialty stores pretty much followed the discount stores' trend in the number of chains increasing their ad budgets in 1986 and planning to in 1987. But, their average increases far outpaced all other categories of retailers in the study. Apparel specialty retailers pumped, on average, 16.3% more dollars into their ad budgets in 1986, and expected to increase total ad spending an average of 12.1% this year.

Retailers Shift from Preventing Losses to Arresting Thieves

Shrinkage Results by Retail Category*

	Mass Merchants	Department Stores	Specialty Stores	All Participants
Shrinkage: % of Sales 1984	1.9	2.1	1.6	1.8

Allocation of Loss-Prevention Expenditures

	Mass Merchants	Department Stores	Specialty Stores	All Participants
Other Electronic Equipment	4	5	6	5
Internal Guards	31	47	14	29
Payroll Other than Guards	27	14	29	24
Incentive Programs	2	2	2	2
Other	7	4	6	6

*Mass Merchants: Discount, general merchandise, drug, and all variety chains with multiple departments, central checkout and limited selling staff.
Department Stores: Multidepartmental retailers offering departmental checkout with highly visible selling service. This category includes specialty stores with the principal characteristics of department stores.
Specialty Stores: Few departments, central checkout, generally with 7,500 sq. ft. or less of selling space.
Source: Arthur Young & Company; NMRI

By Jack L. Hayes
Special to DSN

Retailers are placing greater emphasis on apprehensions, found an informal survey of loss prevention directors prompted by the release of *An Ounce of Prevention*, the annual study of loss prevention in the retail industry.

This year's version of the study, which was released by the National Mass Retailing Institute (NMRI) and Arthur Young, reports that the national average of overall shrinkage for 113 companies (representing 30,000 locations) remained at 1.8% of sales for the last two consecutive reporting periods.

Responding companies attributed approximately 42% of the inventory shrinkage to employee theft, 31% to customer shoplifting, 23% to paperwork errors and 4% to vendor theft.

Because retailers have no way of accurately measuring the components that cause shrinkage, apprehensions can be used as a barometer to test these retailers' perceptions of the causes of shrinkage. At the same time, retailers can identify a few of the latest trends in loss prevention.

Nine major companies (representing 749 individual store locations) were contacted and a consistent answer was heard from the majority of these companies: Each of the loss prevention directors said a greater emphasis is being placed on apprehensions.

In fact, seven out of the nine responding companies reported an increase in their dishonest employee apprehensions and the group's total increase over last year's number of apprehensions was 10%.

One director for a nationwide chain explained the move to apprehension and away from loss prevention in this way: "The approach to loss prevention has been diluted by a number of factors we believe responsible for our more aggressive approach to catching dishonest employees. For example, the tight payroll-to-sales budget has caused fewer people to be on the sales floor. This situation gives both shoplifters and dishonest employees more opportunities to steal.

"Pre-employment screening is another problem. Our hiring standards are not as effective as they should be. I believe this is caused by the problems we are having with recruiting people. So, without question, we have become more aggressive [in apprehensions] than we were in the past two years."

Shoplifting apprehensions also increased, even though 62% of the reporting companies said they use electronic article surveillance (EAS) in all or part of their stores. These statistics showed shoplifter apprehensions rose 5.5% from last year.

The increases in shoplifting apprehension percentages ranged from a high of 60% for one company to a low of 1% for another. The company reporting the greatest increase had not increased its staff. "We have one of the strongest anti-shoplifter initiatives that can be applied," said the company's director. "Employee training has improved greatly. We target problem stores and give employees certificates of appreciation when they help by reporting suspected shoplifters."

Another company said that a reduction in its floor staff has negatively affected the preventive aspects of its program. Others credited their employee awards programs with encouraging apprehensions. The company reporting the smallest increase in apprehensions said the value of goods recovered in each case has increased dramatically.

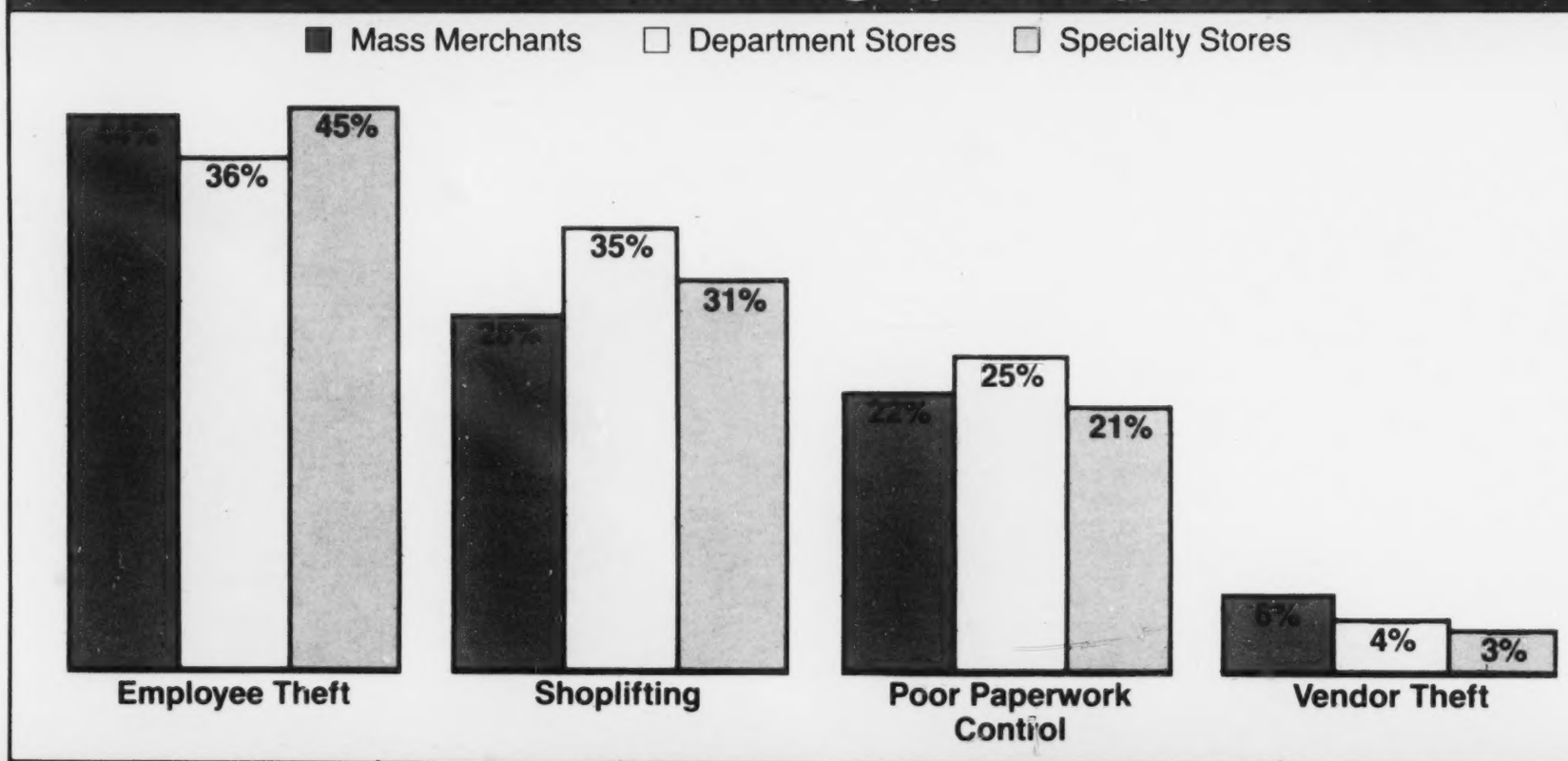
Other trends reported by these retailers reflect a greater sophistication in attacking and dealing with their problems:

- High-tech security appears to be a shrinkage control tool that is here to stay.
- Point-of-sale investigative reports are providing better information concerning dishonest cashiers and fraudulent refunders.
- EAS is considered an effective anti-shoplifting device.
- Some stores now operate computerized shrinkage and auditing software programs.
- The popularity of closed-circuit television cameras for assisting in internal theft investigations now ranks high on many investigators' "wish list" of security tools.

Retailers continue to place great store in their employee training programs. Self-teaching audio-video training programs are widely used throughout the industry. Participants in the NMRI/Arthur Young study rated employee training programs to be the most effective shrinkage control device available.

Jack Hayes is a security expert for Arthur Young.

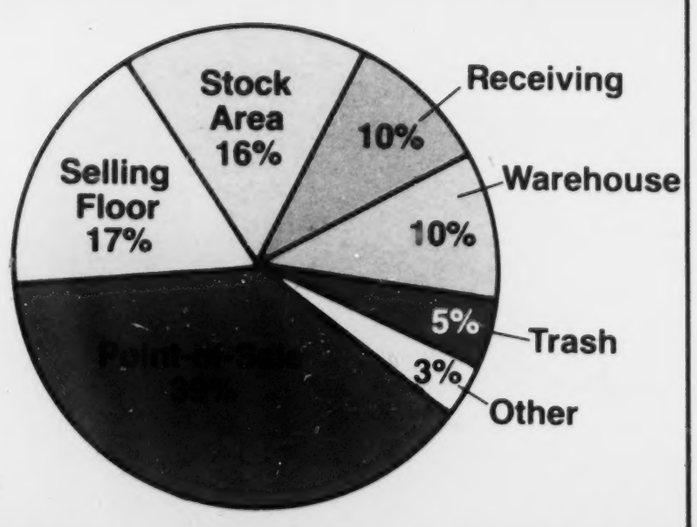
Reasons for Shrinkage by Store Type*



*Mass Merchants: Discount, general merchandise, drug, and all variety chains with multiple departments, central checkout and limited selling staff.
Department Stores: Multidepartmental retailers offering departmental checkout with highly visible selling service. This category includes specialty stores with the principal characteristics of department stores.
Specialty Stores: Few departments, central checkout, generally with 7,500 sq. ft. or less of selling space.
Source: Arthur Young & Company; NMRI

Retailers Attribute Most Shrinkage To Internal Factors

Retailers Believe Most Employee Theft Occurs at the Point-of-Sale



Source: Arthur Young & Company; NMRI

22nd NMRI Convention

Hard Lines

For Discounters, Upscaling Includes Hardware

Hardware department at Bradlees, Norwalk, Conn.: Watch for discounters to increase their emphasis on name brand hardware and tools as American consumers appear willing to pay for higher quality products. (DSN photo)

By Donald Longo
Nationwide DSN Report

In the beginning, there were hardware stores. These mostly independent operations featured convenient neighborhood locations where consumers could get personalized service from someone who knew the difference between a T-square and a T-hinge.

News Analysis

Then, as discount department stores began phasing out their hardware department lessees to operate the areas themselves, the home center came along. These home improvement stores generally offered less service than the neighborhood hardware outlet, but certainly much more than the typical discounter. At home centers, shoppers could find a wide assortment of top quality name brand products—but at prices usually higher than discounters would offer.

The home improvement warehouses burst on the retail scene in the late '70s and early '80s. These 80,000-sq.-ft. to 100,000-sq.-ft. retail warehouses aggressively advertised their unmatched selection at price points as low as any discounter.

In the face of this competition, it is not surprising that the traditional hard lines oriented mass merchandisers have spent the mid-1980s paying more attention to soft lines. But, while discount department stores may be settling for a slightly smaller share of the overall hardware market, they certainly are not abandoning it altogether.

Many discounters are revamping hardware, adding more selection of name brands and higher quality merchandise.

In fact, many discounters are revamping their hardware departments, in particular adding higher quality merchandise that carries a wider margin and encourages repeat business.

"We no longer just get the convenience purchase," said one discount store buyer interviewed at the National Home Center Show earlier this year. "People come to us because we have a good selection, name brand products and low prices."

(Continued on page 212)

Year-Round Sales to Drive Tomorrow's Toy Departments

By Josephine Fiamingo
Nationwide DSN Report

Discount toy buyers can look forward to even tougher decisions in the coming years as a deluge of new products taxes their ability to operate profitable departments.

News Analysis

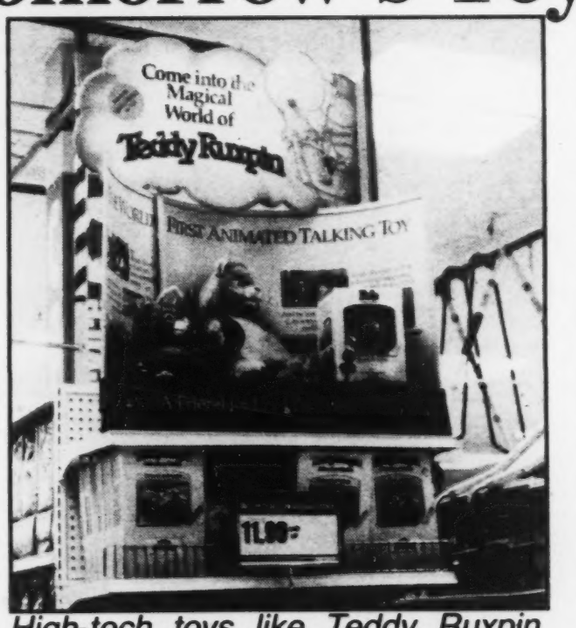
More product choices, available year-round by manufacturers, are creating confusion for retailers in deciding on the right mix to maintain leaner inventories.

Further, earlier advertising campaigns accompanying the dizzying array of high-tech toys are adding these costs to the price retailers have to pay for the product.

While retailers and distributors report stronger toy business in the first eight weeks of this year than ever before, they are quick to point out that capitalizing on this increase in year-round toy business is dependent upon whether retailers can continue to determine the right product mix.

After all, a toy's life generally only lasts anywhere from eight months to two years, and that is only if it sells when first introduced. A mistake can sit on a shelf for a long time.

Out of the 150,000 individual toy products produced each year, according to the Toy Manufacturers of America (TMA), 5,000 to 6,000 of those involve new technologies and styles. Only a relatively small percentage become success stories. A product that sells in the first half of the year might not sell in the second half—and what sells in the second half might not sell next year.



High-tech toys like Teddy Ruxpin, atop an endcap at a Chicago Venture, are a gamble if the retailer misreads rapidly changing trends. (DSN photo)

Despite all the new innovations, basics will always remain in the product mix in discount stores. These toys are still perceived by consumers to be a value purchase and at the same time provide higher margins than the aggressively promoted and highly competitive products.

But as the newer, high-tech innovations become higher ticket items, they will leave consumers with fewer dollars to spend on basic items. Some of the most popular toys of recent years have been sold to consumers at close to or below the retailer's cost. The more advanced technologies now in vogue are likely to further increase the cost of toys.

Looking ahead, narrow markup on the "hot" toys is sure to continue. The

(Continued on page 212)

MARKETWATCH

FULLERTON, Calif. — **HomeClub**, the discount warehouse home improvement chain subsidiary of Zayre, recently opened two new outlets in California and Washington. The new 100,000-sq.-ft. HomeClub in Stockton, Calif., is the chain's 23rd warehouse club in that state. The chain's second warehouse club in Washington opened in a 104,832-sq.-ft. building in Lynnwood, bringing total chainwide store count to 30.

* * *

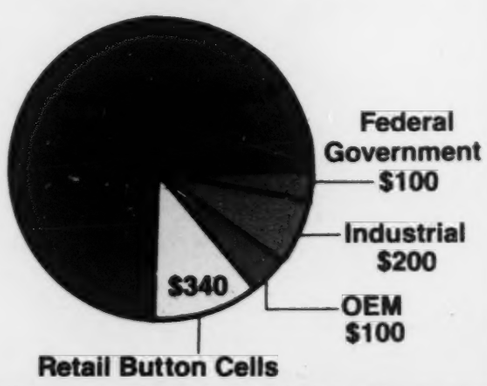
DALLAS — Discount stores have increased their share of the total $2.9 billion battery market to 35% last year, from 32% in 1981. Food, drug, and hardware/home center/lumber stores followed with 27%, 18% and 8%, respectively. Additionally, the average U.S. household consumes 32 batteries per year, according to data compiled from **A.C. Nielson** and **NFO Consumer Purchase Diary** research by Rayovac, the battery supplier based here. The study shows that a heavy user household consumes 92 batteries per year. This heavy user group constitutes 20% of all U.S. households and consumes 71% of all batteries sold. Heavy user households are profiled as:

- Young married couples;
- With children six to 12 years old;
- With young adults (13 to 20);
- Female head of household purchases 55% of all batteries;
- Female purchaser is typically price/value conscious.

The research also reveals that most batteries are purchased for radios/radio cassettes/cassette recorders (31%, up from 28% in 1981), flashlights (16%, a decline from 21%), and toys/games (17%, down from 20%).

The 1986 U.S. Battery Market
(In Millions)

Total: $2.9 Billion



**Six popular household sizes (D, C, AA, AAA, 9-volt and lantern batteries) make up 98% of all retail battery sales.*

Source: U.S. Commerce Department

CHICAGO — **The National Hardware show**, held here Aug. 9 to 12, will be the largest in its 44-year history, according to Pat Dolson, group vice president and show manager. Hardware and allied lines, which will be located on all three levels of McCormick Place East, is nearly sold out in its 436,000-sq.-ft. building. Overflow vendors in this category will be exhibiting in McCormick Place West. The lawn and garden, outdoor power equipment and outdoor living category will occupy more than 335,000 sq. ft. of space in the new McCormick Place North facility, a 211% increase over last year. Houseware exhibits will be featured in the McCormick Place West facility for the first time. The automotives aftermarket division will exhibit on the lobby level of McCormick Place North this year.

RETAIL MANAGEMENT DEVELOPMENT SERIES

Employers Can Take Measures to Control Health Care Costs

By F. Kevin Tylus

Touche Ross & Co.

Does it sound inconceivable that your company's cost for health care benefits could equal its after-tax profits? That may appear impossible to believe, but it was one finding in a study recently conducted by the Harvard Business School. The study of the Fortune 500 industrial companies and the 250 largest nonindustrial companies showed the cost of health care benefits equaled nearly 25% of after-tax profits from 1981 to 1983. The researchers predicted that, at the present rate of increase, these costs could equal profits by 1992.

A look at the numbers and trends reveals that such a prediction is far from outlandish. Contributions paid by employers for employee health insurance surpassed $100 billion in 1985 (see accompanying exhibit 1). That figure represents a 106% increase over the 1980 expenditure of $49 billion, four times the 1970 level of $12 billion.

The per-employee gauge shows a 7.7% increase in 1986 over 1985 medical cost expenditures, found a survey by an insurance broker (see accompanying exhibit 2). This represents a national average cost of $1,857 to the employer for each employee. Employers with more than half their workforce under collective bargaining paid about 28% more, or $2,555 per employee, than did employers with less than half their employees under collective bargaining: $1,764 per employee.

The cost for health care today consumes approximately 10% of this country's total output. Even with the enrollment gains in 1986 by cost conscious Health Maintenance Organizations (HMO's) and Preferred Provider Organizations (PPO's,) health care costs failed to decline to 9% of the Gross National Product as was predicted by some industry analysts. By the year 2000, the cost of medical care may reach a predicted 12% of the GNP. Moreover, the rate of health care inflation was about 6% in 1986, or about double that of inflation, as measured by the consumer price index.

Relief May Be on the Way

While the costs for health care benefits have escalated, the business of providing these services has been changing radically. And those changes may spell some relief for employers.

For instance, hospitals, physicians, and alternative providers such as HMO's, PPO's, walk-in care facilities, and entrepreneurial enterprises are battling industry environment issues to gain market advantages. Relief may result from: increased competition in the industry; excess capacity for hospital-based care; price sensitivity; demand for high quality, convenient, and attractive service modes and the efforts of government and employers to reduce the cost of providing or arranging for health benefits.

The excess capacity in the hospital setting and the increasing saturation of providers in alternative settings translate to a greater say for the purchaser—government and employers in particular—in the selection of providers and the prices to be paid for health care services.

The industry has seen numerous initiatives to control health care costs. The most visible of these, perhaps, is the federal government's efforts to control expenditures of the Medicare program. The government hopes to lower costs, in part, by paying fixed rates for each hospital admission, foregoing per diem cost-based reimbursement and eliminating most automatic cost pass-through payments.

Employers are taking these kinds of steps to control costs:

- **Employees incur copayments and deductibles:** Most employers are including a deductible in their benefits programs, with a $200 deductible being common. Many employers recently have begun copayments and, though they may not like passing the cost on to employees, they feel it is necessary, because the cost for health care has become unacceptable to bear alone. Benefits programs are invoking restraint wherever possible.
- **Second opinion programs:** Most employers are encouraging second opinions on prescribed surgeries, with many providing incentives for a second opinion. It is common to find a policy imposing a penalty if a second opinion is not obtained.
- **Managed care arrangements:** Second surgical opinions are a start in managing care arrangements. Beyond that, employers are taking a more active role in monitoring the entire health care contract, often hiring utilization review companies to police the type, duration and cost of care given to employees. But managing employees' health care includes more criteria, like requiring certain procedures be performed in outpatient or same-day treatment facilities. Employers are collecting data on their employees' use of services and comparing it to anticipated norms or required output. They are also using the data to shed light on usage and cost predictability.
- **HMO contracts:** Employers are still skeptical about whether HMO's, organizations that arrange for and sometimes provide care directly, reduce costs. Generally, employers contend the HMO premium cost is too similar to their indemnity rates, referred to as "shadow pricing," to see any significant reduction in premium cost. Critics also charge that HMO's are not investing in the promotion and maintenance of good health.

But HMO's have enrolled nearly 10% of the United States population, and the percentage runs even higher in some regions. And many HMO's are responding to employer demands. Enrollment increased to more than 23 million last year, a 25% jump from June 1985 to June 1986, shows an InterStudy update. The number of HMO's increased more than 50% to 595 during that year. A 1985 poll by Louis Harris & Associates and the Kaiser Family Foundation found that, of employers with at least 10% of their workforce in HMO's, enrollment has increased anywhere from 26% to 45% since 1982. Also the study found little evidence that members are dropping out.

- **PPO arrangements.** A coalition report said local and regional PPO development will continue its appeal to employers. Various business coalitions in health care issues support this position. Many employers said provider-purchaser contracts give employers more flexibility and involvement in health care issues than do traditional indemnity or HMO arrangements. Generally, employees are allowed to select a nonparticipating provider, but at a reduced benefit. Some say that no two PPO's are alike and that any creative arrangement offering to reduce employers' cost yet boost providers' business is worthy of serious trial. Likewise, more employer-provider direct contracts are emerging and being tested as a cost-control measure.

(Continued on page 240)

Exhibit 2

Medical Costs to Employer by Region

Region	Total 1986 Medical Cost Per Employee	Increase Over 1985 Costs
Pacific	$2,147	7.5%
Mountain	1,815	6.2
North Central	2,046	7.4
South Central	1,784	8.1
New England	1,828	9.9
Mid-Atlantic	1,898	8.1
South Atlantic	1,692	7.7
National	1,857	7.7
Less than 50% collective bargaining	1,764	—
More than 50% collective bargaining	2,255	—

Source: Johnson & Higgins

Exhibit 3

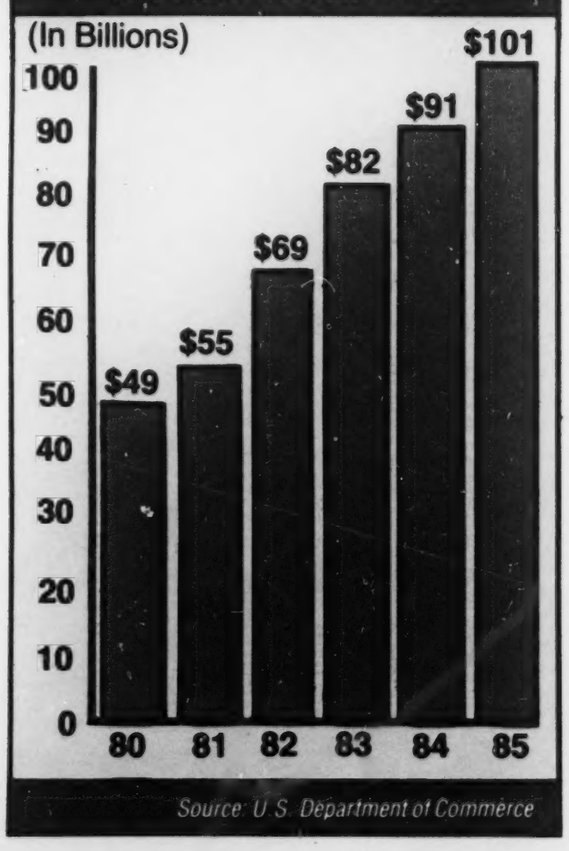
Private Insured Non-Medicare Enrollment

	1980	1985	1990*
"Traditional" Indemnity	96%	72%	5%
Managed Care	0	15	25
PPO	0	4	40
HMO	—	—	—
Independent Practice Arrangement	1	4	22
Staff/Group	3	5	8

*Projected

Source: Sanford C. Berstein & Co./InterStudy

Employer Contributions For Employee Health Insurance



Source: U.S. Department of Commerce

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May 11, 1987

Questions

Indicate whether each question is True or False.

1. The cost of providing health care has more than doubled since 1980.
   True False
2. The national average cost for health care benefits per employee is over $3,000.
   True False
3. The increasing saturation of providers is one reason health care costs may level off.
   True False
4. The Federal government has been a prime agent in keeping costs down.
   True False
5. Sharing the cost of health care benefits with employees is not a common practice.
   True False
6. Some health care plans make a second opinion on surgery mandatory.
   True False
7. Data collection on health care services is an important step in managing costs.
   True False
8. Enrollment in HMO's is increasing steadily.
   True False
9. HMO's have been shown to be significantly less costly than standard health care programs.
   True False
10. Flexible benefit provisions reduce costs while allowing employees to choose the coverage they want.
    True False

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Employers Can Control Health Benefits Costs

(Continued from page 232)

These arrangements are being tried by unionized and non-unionized employers, self-insured or not, and by for-profit and not-for-profit health care providers. They are not limited to progressive markets such as Southern California. In fact, one northeastern Pennsylvania community hospital recently entered into its fifth direct employer contract, with each of the five slightly different from the others. Employers intend to achieve cost savings and data management reports in exchange for volume commitments.

- **Flexible benefits:** Many employers are allowing employees to decide which benefits they want from an array. For example, an employee might opt for a major medical plan over a dental plan. These pick-and-choose benefit plans enjoyed their greatest growth in 1986, concludes a report by a leading benefits consulting firm. Flexible benefits plans may help reduce overall costs and may provide more of what each employee needs for the same cost.
- **Self-insurance:** The movement toward self-insurance is helping employers save the payments to insurance companies that fund the insurance companies' reserved requirements. In many locations of the country, at least two-thirds of employers have switched to self-insured status. This kind of arrangement does not necessarily reduce benefits costs, but it allows the employer to earn interest on funds that otherwise would have contributed to the insurer's reserves.

A Warning Is in Order

Implicit in all of these initiatives is the desire to maintain a high quality of health care for employees. Health care providers are asked to produce convenient access to quality services at a reasonable cost. Yet our health care system has become capital-intensive. For example, just a few years ago, the state-of-the-art CT scanner cost nearly $1 million. That piece of equipment is now considered less effective for certain imaging studies than the newer magnetic resonance imaging machines, which can cost almost twice as much as CT scanners. Yet, when considering program alternatives to reduce cost, employers must maintain the quality of care.

The Jury Still Remains Out

It will take at least three years—and as long as five years—to know whether employer initiatives have reduced the real rate of increase in health benefits costs, the cost to the employer and employee. The vehicles by which health care benefits are provided definitely are changing rapidly and presumably will continue to do so. As the third chart shows, even if health care industry analyst Sanford Bernstein & Co. and InterStudy are only half right, the health insurance business will be transformed into a very different business by the early 1990s. (see exhibit 3 on page 232). Alterations to benefits plans and employer demands will be part of the transformation.

About the Author

F. Kevin Tylus is manager in the New Jersey offices of Touche Ross. Besides assisting hospitals, health care providers and purchasers with business decisions and planning, Touche Ross provides extensive benefits consulting services.

Sales Agencies Association Elects 1987 Slate of Officers

CHICAGO — Richard F. Skelly, president, Meteor/-Skelly, Larchmont, N.Y., has been elected president of the National Association General Merchandise Representatives(NAGMR), the Chicago-based professional association of sales agencies representing leading manufacturers to the drug, mass merchandise and food trade.

Skelly has served as vice president, secretary, treasurer and regional vice president of NAGMR. He serves on the board of directors of Nappe-Babcock Inc., Richmond, Va.; Regina Company, Rahway, N.Y.; and Westport Laboratories, Fairfield, Conn.

NACMR has also elected other officers for 1986-87. Burt B. Houseworth, Keystone New York Corporation, Oradell, N.J., has been named vice president; Edward S. Gleason, Elias Shaker & Co., Park Ridge, Ill., has been named treasurer, and Arthur Z. Silver, Silver Marketing Group Inc., Cherry Hill, N.J., has been named secretary.

NAGMR also elected its members to serve on the board of directors and regional vice presidents for the coming year.

NAGMR officers for 1987: Arthur Silver (left), secretary; Richard Skelly, president; Burt Houseworth, vice president, and Edward Gleason, treasurer.

FOOD MERCHANDISING

FOR NON-FOOD RETAILERS

Spring. 1987

Why (And How) drug chains are courting the c-food shopper

Nonfood chains nurture snack food growth with more ads, more space & more displays

How Genovese Drug adds "pazazz" to its candy departments

SPECIAL REPORT:

Sales of groceries surge to $10 billion plus in nonfood outlets

Candy sales grow as consumption increases & nonfood chains expand mix & ad features

Food For Thought
Food trends from 1981 through today 5

News Basket
Granola candies provide new snack sale opportunities 6

Sami: Category seasonality report
The foods and nonfoods to promote this winter 8

Growth Trends in Non Food Grocery Sales
Food and grocery related product sales will rise 6% in 1987 to over $10 billion as drug and discount chains lore shoppers with price & convenience. 11

Convenience foods: Drug's newest "core category"
Why Walgreen's, Eckerd, SupeRx and others are expanding their c-food mix 15

Snack Foods: Nonfood's growing "impulse" category
How discount and drug chains are generating plus sales with new merchandising strategies 21

Candy: Traditional stepchild category gets new life
Emphasis is now on adult as well as children's market; sections are expanding 27

Best Selling Categories of Winter

The chart below lists the best selling categories in food stores for the months of December, January and February.

The rankings are based on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ended in December 1985, and January and February 1986.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.

FOODS AND GROCERIES: BEST SELLERS OF WINTER

(Averaging three year index ranking)

December

Foods	Index ranking
Canned cranberries	374
Novelty candies	326
Dates	259
Baking nuts	250
Canned onions	240
Packaged chocolate covered fruits	236
Piecrust mix	214
Corn Syrup	213
Canned potatoes	210
Packaged solid chocolates	207
Brown sugar	202
Stuffing mixes	199
Maraschino cherries	194
Chocolate creams	193
Dry yeast	189
Marshmallows	185
Coconut	183
Baking chocolate	180
Pie fillings	179
Packaged hard candy	179
Croutons	174
Confectioner's sugar	174
Ripe olives	172
Sterilized milk	170
Cider	166
Molasses	165
Spanish olives	165
Nonfoods	
Heatable bags & wraps	285
Fireplace logs & bricks	257
Disposable containers	167
Rock salt	164
Coffee makers	156
Rodenticides	142
Flash bulbs	138
Batteries	131
Oven cleaners	125
Aluminum foil	124

January

Foods	Index ranking
Maraschino cherries	249
Dates	249
Cake decorations	238
Coconut	206
Corn syrup	202
Molasses	200
Baking chocolates	192
Cream of tartar	191
Canned meats	191
Cake flours	180
Confectioners sugar	177
Baking nuts	175
Brown sugar	170
Cocoa	166
Baking extracts	164
Spanish olives	160
Chili sauce	158
Cider	157
Canned onions	157
Canned dry beef	147
Cocktail mixes	147
Canned sauerkraut	147
Canned shrimp	144
Canned cherries	144
Dried apricots	140
Canned cranberries	144
Canned beans	134
Nonfoods	
Rock salt	344
Fireplace logs & bricks	330
Flash bulbs	213
Batteries	156
Heatable bags & wraps	149
Waxed paper	143
Disposable containers	142
Coffee makers	134
Plastic flatware	120
Light bulbs	113

February

Foods	Index ranking
Packaged chocolates	155
Hot cereals	149
Oriental foods	147
Canned tomatoes	145
Canned soup	145
Milk modifiers	144
Canned kidney & misc. beans	144
Diet canned vegetables	139
Bouillon	139
Canned wax beans	138
Diet canned fruits	137
Canned vegetables	136
Dehydrated soups	134
Canned carrots	134
Canned chili	133
Tomato sauce	133
Tomato puree	133
Tomato paste	129
Canned sauerkraut	129
Canned beets	127
Canned spinach	127
Diet desserts	127
Canned corn	125
Crackers	124
Canned green beans	124
Honey	124
Hominy grits	122
Nonfoods	
Rock salt	291
Fireplace logs & bricks	225
Light bulbs	126
Facial tissues	121
Bath additives	119
Rodenticides	117
Shoe polish	116
Scouring cleansers	112
Coffee filters	112
Laundry soaps	111

Source: SAMI Seasonality Study

Mass Merchandising Groceries

Promotional activity sparks grocery product sales in drug and discount store outlets. Grocery sales will top $10 billion in 1987

Grocery sales in nonfood outlets are expected to increase about 6% this year to an estimated $10.2 billion market.

Grocery product sales through drug, discount and general merchandise and variety stores, which rose 5% in 1986 to an estimated $9.6 billion, are expected to go up about 6% in 1987 to approximately $10.2 billion.

The growth is due to the aggressive use of food and grocery related promotions as traffic builders as well as to expanded assortments of snack and convenience dry and refrigerated grocery sections in drug stores, and expanded space for snacks, household chemicals and other grocery related departments in discount stores.

Right now drug stores generate the bulk of grocery related sales in the mass market arena. According to *FM* estimates based on an analysis of Dept. of Commerce merchandise line sales trends, drug stores in 1986 generated nearly $4.8 billion in grocery product sales in 1986 or close to 50% of all grocery sales in nonfood stores.

Discount stores, for the same period, generated about $2.7 billion in grocery product sales while general merchandise, variety and department stores captured the remainder of the sales, about another $2.1 billion.

Our estimates include sales of packaged grocery items like cereals, salad dressings and cake mixes as well as sales of candies, packaged alcoholic beverages, pet food items, soaps and household cleaners and detergents as well as paper goods like toilet and facial tissues.

However, they exclude the sales of soft drinks and snack foods like potato chips that are store delivered rather than warehoused.

In the mass merchandise retail segment, drug chains are doing

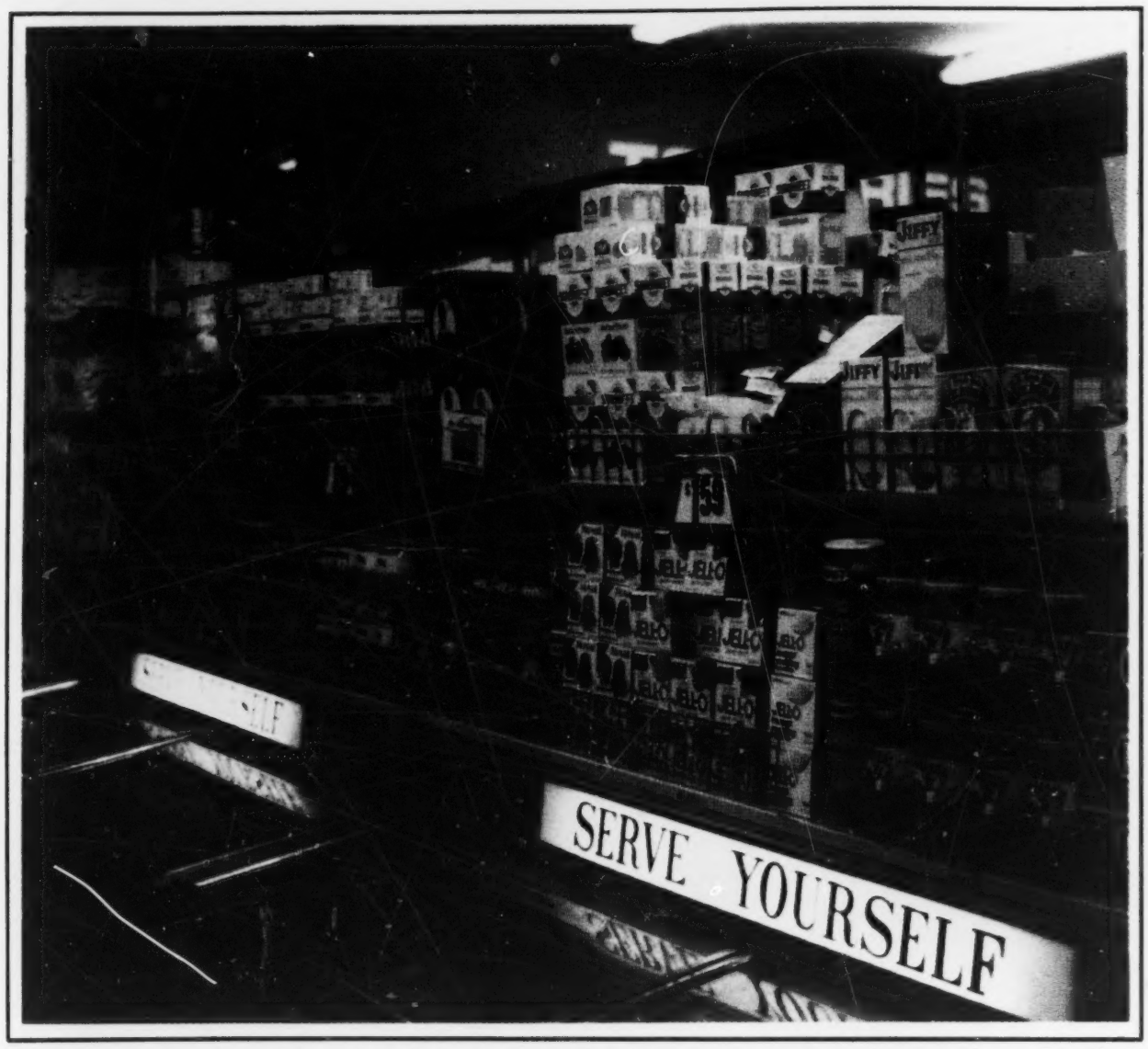
*General Merchandise Stores: Grocery Sale Trends

(retail sales in billions)

Category segment	1982	1985	1986	1987 Est
Packaged groceries excluding direct store delivered snacks	$3.1	$3.5	$3.5	$3.5
Packaged alcohol	$0.426	$0.733	$0.833	$0.926
Paper goods	$.0154	$0.269	$0.297	$0.335
Soaps/Household cleaners	$0.079	$0.105	$0.112	$0.119
Pet foods	$0.052	$0.066	$0.095	$0.103
Total grocery sales	$3.8	$4.7	$4.8	$5.0

*Discount stores account for approximately 56% of all general merchandise grocery sales. The rest is generated in department stores, variety stores & miscellaneous general merchandise stores.

Source: Malcolm Knapp Inc., New York



Drug store operators stress that their everyday food assortments are a "convenience" to their customer.

Grocery Sale Trends

Total Grocery sales in non-food stores
(retail sales in billions)

Source: Malcolm Knapp Inc., New York

Drug Stores: Grocery Sale Trends

(retail sales in billions)

Category segment	1982	1985	1986	1987 Est
Packaged groceries excluding direct store delivered snacks	$1.2	$1.6	$1.8	$1.9
Packaged alcohol	$1.2	$1.6	$1.7	$1.8
Paper goods	$0.492	$0.828	$0.936	$1.1
Soaps/household cleaners	$0.254	$0.323	$0.345	$0.371
Pet foods	$0.032	$0.051	$0.056	$0.062
Total grocery sales	$3.2	$4.4	$4.8	$5.3

Source: Malcolm Knapp Inc., New York

more to expand their everyday assortments of snacks and convenience groceries while the majority of discount chains are concentrating more on using groceries and grocery related items such as household chemicals and laundry detergents as traffic builders.

Discount store retailers are telling *FM* that they can't compete with food stores or warehouse clubs or deep discount drug stores on packaged groceries unless they feature "price, price, price."

"Our shoppers just don't see our stores as a convenient place to pick up groceries," said one K mart manager. "We can get high velocity movement on packaged grocery products, but only when we feature them at super hot prices. That means we're mostly featuring groceries that we buy on deal and promote at margins usually less than 10%."

Discounters stress in-and-out promotions

In the last few years, with the exception of Wal-Mart and Venture, the major discount store chains have begun to cut back their permanent everyday sections of packaged dry grocery items to concentrate more on in-and-out promotional foods especially cereals, cake mixes, summer and winter beverages, salad dressings, jellies, pickles, etc.

K mart, for example, which used to carry a number of permanent planogramed packaged grocery items through its distribution centers, is now primarily just stocking promotional foods that the chain only features on an in-and-out basis.

At the same time, K mart is also giving more store space and more promotional emphasis to its candy and other snack food lines as well as to paper goods and household cleaners and soap.

"We still promote packaged groceries," said a K mart source, "but not as intensely as we once did. Today our ads put a much greater emphasis on candies and other types of snack foods, and we still do a very strong job of advertising paper goods and household cleaners."

Drug chains stress everyday convenience

Meanwhile, the drug chains are becoming more committed to convenience foods as a "core category" and many chains are discovering that they can carry select packaged and refrigerated groceries every day and promote them not just as a traffic building value but as a convenience and service to the local neighborhood.

Walgreen's, which now has c-food sections in some 400 of its 1,200 stores, has had the most success with this style of merchandising, but chains like Eckerd Drug in Clearwater, Perry Drug in Pontiac, Mich., Longs in Walnut Creek, Calif., SupeRx in Cincinnati, K & B in New Orleans, Pay 'n Save in Seattle, etc., are also continuing to expand convenience food assortments.

The drug chains are also continuing to promote packaged groceries, paper goods, soft drinks, pet foods

and soaps and cleaners extensively, plus those chains that carry alcoholic beverages are doing a much more aggressive job merchandising that category.

Drug store retailers like Al Nehman of Dart, Don Gross at Genovese, Gary Lefferts at Austin Drug, all speak of promotional groceries as "traffic builders," designed to "provide an added incentive for people to shop our stores."

Most of the drug chains don't give permanent sections to their promotional groceries, instead they usually merchandise them on endcaps or in the high traffic promotional aisles sometimes referred to as Bargain Alley's and they often display their best buys in cut cases.

"We price so competitively on the grocery consumables," says a People's manager, "that we don't usually have a problem with residuals. They come in the store and within a few weeks, they've blown out and we've brought something else in."

"We advertise grocery items every week," says Al Nehman, sr. vp of merchandising for Dart Drug in Landover, Md. "We pioneered promotional groceries in the drug trade.

"And because we don't just dabble in this type of advertising, we've been able to maintain a nice steady market share growth pattern in what I think is one of the most competitive markets in the nation."

Snacks: growth area

By far, the biggest growth area for the grocery products in nonfood stores today, however, is snacks. Both the drug and discount store retailers call their snack food department one of the most "undeveloped" high potential profit and traffic building departments in their stores.

"Snacks are what we're pushing the strongest," says a Walgreen's source. "We advertise some four or five candy items every week in our circulars and we do almost as much with nuts and cheese balls and items like that." "Most shoppers don't think of drug chains or discount chains when they want snacks and candy," says one drug chain food buyer, "but Walgreen's has such an extensive snack and candy department and they promote it so much that their shoppers think of that area as a key department in the store."

Sources at Wal-Mart, K mart, Zayre's and Venture make similar observations.

The discount chains also make their snack food departments highly visible to their shoppers, almost always locating them in the front of their stores, and snacks are featured in just about everyone's ads.

"Everybody will tell you that incremental sales are becoming harder and harder to get," says a source at Wal-Mart.

"Our strategy is to go after the traffic and low everyday prices on our consumables, plus to make the higher turning snacks like candies and soft drinks very visible in our stores."

Both the drug and the discount store retailers also point out the difficulties they are having today in maintaining strong year-to-year growth in sales in existing stores.

"People can only buy so much toothpaste or so many radios or televisions," says a Venture manager. "But if they see groceries or snacks at a good price, they'll buy on impulse and they often buy multiples which gives us a better average sale.

"If you ask me why so many of us are getting into groceries, that's the answer. They create the traffic. They create impulse sales, and they help us generate the year-to-year sales growth we need in order to be successful."

America's Best Selling Foods: Popular Promotional Items

- **Honey roasted nuts of all the major brands, Fisher, Planters, Eagle Snacks;**
- **Conventional cakes, mixes and frostings especially Betty Crocker and Pillsbury;**
- **Microwavable cake mixes like the new Pillsbury Microwavable cake mix;**
- **Breakfast cereals like Total and Wheaties;**
- **Summer Beverages like Gater Aid (Quaker), Lipton instant teas, Nestle's instant teas, Hi-C juice drinks, etc.;**
- **Soft Drinks especially Coke and Pepsi;**
- **Beers especially Coors, Bud, Miller, etc.;**
- **Dog food especially Alpo, Carnation, Ken L Ration in large sizes and cans;**
- **Cat Foods especially Puss 'N Boots, Tender Vittles, Purina in cans, moist packs and dry packages;**
- **Salad dressings especially Wish Bone and Seven Seas;**
- **Instant creamers especially Borden's Creamora;**
- **Winter Drinks especially Lipton teas, Hills Brothers coffee, Maxwell House, etc., and Carnation, Nestle's and Hershey's hot cocoa mixes;**
- **Candies especially big sized or adult bars like the M & M Mars King Size bars and the Hershey's Big Block Bar, granola bars like Quaker Oats Whipps and Dipps, boxed chocolates like Whitman's, and premium candies like Ferrero's Mon Cheri and Rocher Ferrero or Borden's Haviland;**
- **Salty snacks, especially Fisher, Eagle Snack and Planter nuts, Planter's canister snacks, Eagle Snacks, Borden's and Frito Lay chips;**
- **Microwavable popcorn, especially Betty Crocker's Pop Secret and Pillsbury's microwavable popcorn;**
- **Peanut butter especially Superman Peanut Butter and Jif;**
- **Jellies especially Welch's and Smuckers;**
- **Packaged rice especially Uncle Ben's;**
- **Pudding and jello mixes;**
- **Pickles especially Vlassic;**
- **Canned vegetables especially Green Giant;**
- **Canned juices & juice drinks like Ocean Spray, Tree Top, Seneca, etc.;**
- **Potato chips especially the hearty and Hawaiian style chips as well as these flavored chips: au gratin chips, jalapeno and cheddar chips, bar-beque chips and spicy flavored chips.**

How drug chains treat c-foods

Drug chains court "convenience minded" shoppers by expanding convenience food departments

Retail drug chains, trying to enhance their appeal to the "convenience minded shopper" are expanding their assortments of convenience style groceries.

Many chains including Walgreen's, Eckerd, Perry's and People's now have limited assortments of select convenience foods in all their stores and a large number are experimenting with expanded convenience food departments featuring canned and packaged groceries as well as refrigerated and frozen foods.

Retailers like Dave Peterson, vp of merchandising for Perry Drug in Michigan, say that convenience foods are a "growth area" for drug store merchants as well as an "opportunity to satisfy the convenience minded shoppers."

Today approximately 10% of all chain drug stores have at least a limited assortment of convenience foods, not counting their sections for candies, chips, nuts, soft drinks and other traditional snacks.

Most also have "convenience" departments for shoppers looking to purchase pet foods, household chemicals and paper goods as well as wine, beer and alcohol wherever liquor licensing is feasible.

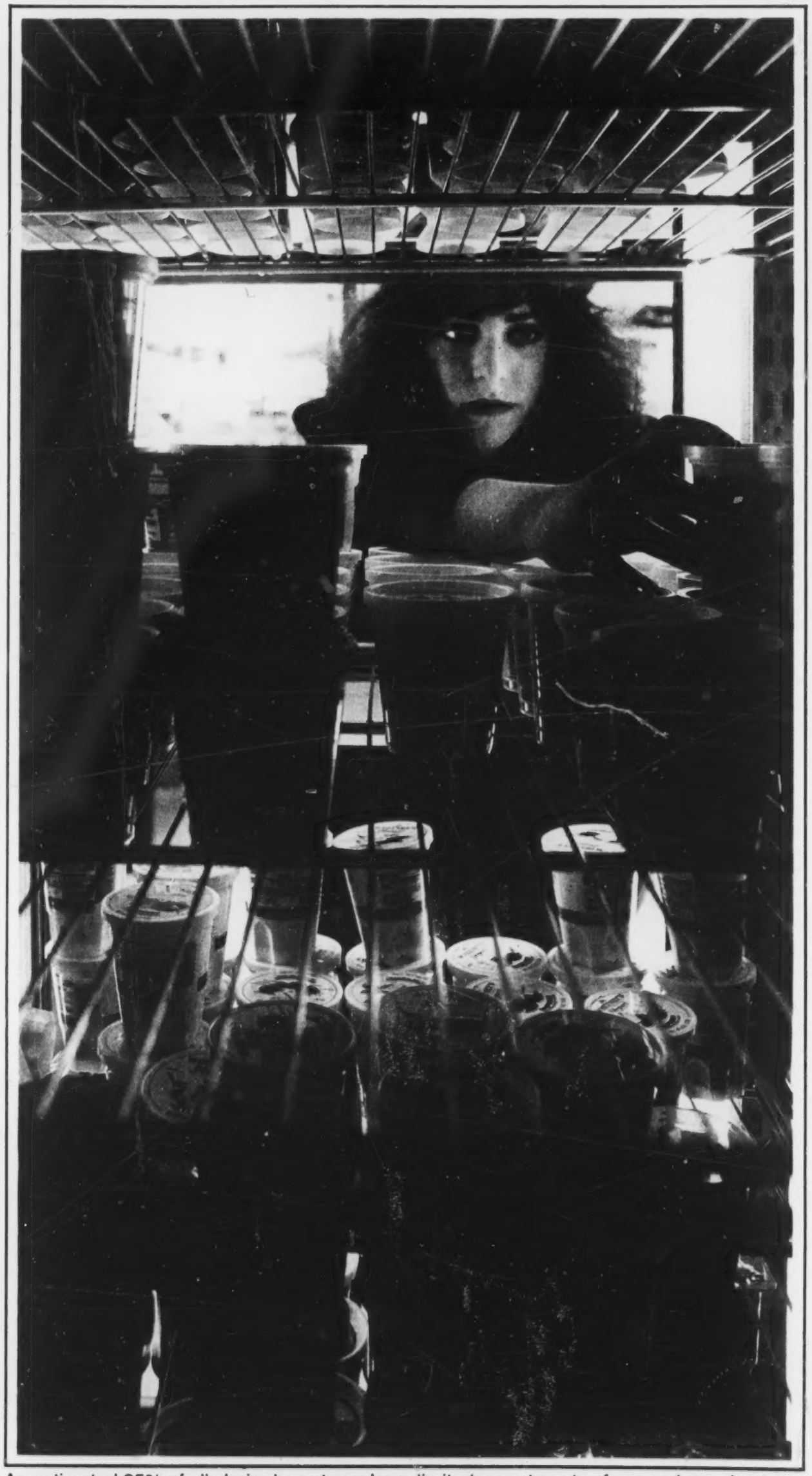
Walgreen's

Walgreen's, which first started experimenting with c-foods back in 1979 with just a handful of stores, now has about 440 stores with full c-food departments, and management says they plan to add about 60 more in 1987.

In addition, almost all Walgreen stores carry at least some assortment of convenience foods, particularly milk, ice cream, cold soft drinks, and whenever possible cold beer and wine. All stores also have a full candy and snack section plus sections for pet foods, household chemicals, paper goods and laundry supplies.

Currently about 900 Walgreen's also have liquor departments, and Walgreen's top management says that it will continue to expand its liquor sections "wherever we can."

Walgreen's makes it a priority to keep prices in its c-food depart-



An estimated 25% of all chain drug stores have limited assortments of convenience foods including soft drinks, milk, bread, ice cream and snacks.

Chains like Walgreen's and Eckerd Drug regard c-foods as an "opportunistic" add-on category.

ments competitive with convenience food stores like 7-Eleven, and they always highlight the department with in-store signs, window banners and local advertising.

Typically Walgreen's keeps its c-food department to about 1,000 sq. ft., and typically the mix is somewhat customized to the individual markets. Suburban stores will give more facings to cereals than inner city stores because managers say that cereals sell in suburban stores while generally they don't turn that well in inner city stores.

On the other hand, inner city stores will carry more facings of items like canned soups, coffee, sugars, creamers, yogurt and chilled juices and soft drinks because these types of items appeal to the office workers who are buying breakfast, lunch and snack items in Walgreen's c-food stores.

"The whole secret is knowing what your customers want and giving it to them," says one manager.

Eckerd's

Pete Agostino, the Corporate Merchandise Manager responsible for Eckerd's c-food sections, says that the best-selling items are the high tonnage consumables that people can eat "right in the store if they want to."

Agostino, whose background includes working for Pathmark Food & Drug stores as well as running a small chain of about 60 convenience stores, says the he fashions his mix around the things that people tend to buy and use most frequently, such as milk, soft drinks, beer and snacks.

Right now, Eckerd has two cooler cases for soft drinks in all its stores, and the plan is to expand the selection as quickly as possible so that all stores also have milk, cold beer and eventually cold wine in the coolers.

Right now about 40 Eckerd stores also have mini-combination food sections and 30 of these stores also have microwavable food-to-go sections. All Eckerd stores also have snack and candy sections as well as household chemicals and supplies.

Like the snacks and household supplies, which Eckerd has always carried, the cooler sections are there to serve the convenience of the customer.

"The way customers use drug stores today is changing," says Agostino. "Unless they have a prescription they need filled, they only stop off on their way to and from work to pick up a fill-in item like a shaving cream. If they also need milk or a soft drink, they're likely to go to a food store and get their shaving cream there at the same time.

"We want the cold beverages in our stores so we can make it more convenient for shoppers to use us as a fill-in trip. That way we hope we'll keep the shaving cream sale plus pick up the incremental sale of the milk or soft drink.

The full Eckerd c-food department totals about 80 linear feet, excluding household chemicals, laundry supplies and pet foods which are not related departments.

The 12-ft. dry grocery section and the 3-ft. section for bread and snack cakes are only added in select stores where Agostino says district managers have identified a need or an opportunity for Eckerd to sell c-foods.

"The convenience food sale is an opportunistic sale for us," Agostino says. "It's an opportunity to get incremental dollars per store, but we can only find such opportunities on specific types of sites, so we let the district people tell us when and where they see a need for the convenience dry groceries."

SupeRx

SupeRx has cut back somewhat

Major Chain Drug stores: Who's Who in Convenience Foods

Chain	Total number of stores 12/86	Number of stores with convenience food departments
Walgreen's, Deerfield, Ill.	1300	430
Gray/Drug Fair, Cleveland, Ohio	468	281
Revco, Twinsburg, Oh	2000	200
Perry Drug, Pontiac, Mich.	203	189
SupeRx, Cincinnati, Oh.	500	150
K & B Inc., New Orleans, La.	147	140
Longs, Walnut Creek, Ca.	222	110
Pay 'n Save, Seattle, Wash.	106	106
People's, Alexandria, Va.	870	60
Eckerd, Clearwater, Fla.	1500	40
Genovese, Melville, NY	78	3

Source Food Merchandising research

The mix in a chain drug convenience food department varies by neighborhood, but the dry packaged grocery assortment almost always includes juices, cereals, ketchups and relishes.

Convenience foods in discount stores

In the discount store field, most chains have stopped trying to carry foods every day to concentrate instead on just using foods as a traffic builder.

"We're not like drug stores," said a Target source. "We can't sell convenience. All we can offer our shopper is price."

However, Wal-Mart, which has a number of stores in small towns and country markets, and Venture Discount stores in the midwest, are both exceptions.

Wal-Mart faces less competition from food stores, and its small town stores can offer their customers the convenience of one-stop shopping.

Consequently Wal-Mart has an everyday food section that features about 100 sku's in some 80 ft. of shelf space. Except for the Thanksgiving/Christmas season, Wal-Mart maintains about three gondolas of food/grocery items every day.

The usual setup is for the candy, nut and chip section to lead into the packaged grocery section. The nonsnack assortment includes pickles, chili, juices, teas, etc.

Paper goods and household cleaners are in other sections of the store as they are in Walgreen's, and pet foods are usually in two locations, along the perimeter or the walls in large 25 and 50 lb. bags displayed on pallets and in a gondola that is usually toward the rear of the store.

Like Walgreen's, Wal-Mart does not usually promote its everyday sections in ads or circulars. Most of the sales come from displays and from in-store impulse sales.

Venture has a similar merchandising program. They carry more of the mainstream categories like cereals, pancake mixes, jellies and beverages.

Venture does advertise its foods, working basically on promotions of products carried in its everyday department.

on the overall size of its c-food sections. The chain currently has convenience foods in about 150 stores, but only 30 to 40 stores have full departments with extensive packaged and refrigerated groceries.

Five years ago, it wasn't uncommon for the refrigerated section in SupeRx's mini-combo stores to have about 24 doors. Now the average section is closer to 12 doors.

SupeRx sources say the c-food concept is practical for a drug store, but that it can be "overdone. The key is to provide convenience, but not to over-develop the food part of the business," said one source.

"You can't forget that you're a drug store first."

Perry

At Perry Drug headquartered in Pontiac, Mich., there are more than two-dozen stores with full convenience food sections plus limited assortments of convenience foods including milk and other cold beverage are now in over 93% of the chain's stores.

The full convenience food departments are in all Perry's 24 hour stores, and in select stores where there is no direct competition from traditional supermarket or convenience food stores.

The typical Perry convenience food department takes up about 30 linear feet and includes milk, juices, breads, cookies and other baked goods snacks.

Stores with the full convenience assortment have the 30 linear feet plus another 64 ft. of packaged and canned groceries.

Perry does not advertise its c-food sections and does not use any outside signage to attract new shoppers. "The c-food departments," says Peterson, "are for the convenience of the neighborhood shoppers and they're very visible to anyone walking into the store."

Perry, which is currently doing a direct product profit analysis on all its drug store merchandising categories, says that the c-food department is "standing up very well" as a profit center, even though it is supplied entirely by jobbers and food wholesalers.

"All 24 hour stores will definitely have full c-food departments as we open them," says Peterson, "and so will any other stores where we feel a need exists."

Milk is currently the only convenience food Perry is now promoting.

Many drug chains like to merchandise beverages, snacks or other consumables on the endcaps anchoring their c-food sections.

Drug stores: strategies for convenience foods

Chain drug store retailers have two primary merchandising strategies for convenience foods.

They either see the category as an opportunity to service a large base of regular everyday users as Mickey Kole does at Perry Drug or they see it as a chance to cater to a shopper "who hasn't got a food store nearby and who'll use us until something better comes along."

Walgreen's president Fred Canning's says his strategy is to make Walgreen's a "convenient, midweek fill in store".

"We're very competitive on basics like milk and coffee," says Canning, "and we'll continue to add food centers to new and existing stores wherever appropriate."

Many drug chain executives say, however, that it's virtually impossible for corporate management to know exactly how many c-food departments they will open in any given year.

"There is no such thing as a big charge that wins the battle once and for all," one source says. Instead, he compares the rolling out of convenience food departments to trench warfare. There are a lot of "little battles to be fought and won," he says.

Operations controls expansion

"Even Walgreen's," he says, "which has done the best job of all of us in developing c-foods knows about the little battles. You can identify the right location and go in and be very successful for a year or two.

"Then the local food store will get smart and clean up its act and put in scanners or extra help and suddenly people will go back to shopping there because they've made it more convenient again."

Or, as another source puts it, "the sleepy 7-Eleven you've been competing against will suddenly get tough and they'll lower their prices or start tying into the Southland promotions, and then you have a fight on your hands."

On average, drug store retailers who have c-food departments say that it's crucial to put them in the right stores and to stock them with a product mix that features the items that people buy most often. The corporate concensus also is that this is a business that has to be driven operationally.

"Convenience foods is not a department that can be controlled totally from the central offices," says Perry's Dave Peterson. "The field people know the individual markets best and they can spot a need, and react the fastest if that need disappears or if the market changes."

"Milk is definitely a planned purchase and a good traffic builder," says Peterson. "so we use it as a leader. We feel the rest of our sales, however, are motivated by impulse shopping and the need to make fill-in purchase."

People's

At People's Drug headquartered in Alexandria, Va., there are now about 60 stores with c-food departments compared to about 20 in 1982.

Here too, managers say the success is totally dependent on the mix, the neighborhood demographics and the external competitive market in each location.

Most People's managers say their departments have been very successful, turning about 10 times a year and doing a lot to create "new business for us."

A few, however, say that People's can't always be sure of success. "The situation can be fine for a while, then something will happen to change all that," said one manager. "We still don't know all the answers.

"But if food stores can be drug stores too," he added, "then why can't drug stores also be convenience food stores. Everybody today is taking a piece of someone else's market. Packaged groceries, laundry cleaners, pet foods, cold beers, these are all things we can offer our customers as a convenience.

"As I see it, if I can make their shopping trip more convenient, then my stores are ahead of the competition."

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Circuit City Leads Top CE Chains

Chain (HQ State)	1986 Sales† (in millions)	1985 Sales (in millions)	% Change
Circuit City (Va.)	$1,010.0	$705.0	43.3%
Highland (Mich.)	656.0	521.0	25.9
Silo (Pa.)	600.0	500.0	20.0
The Federated Group (Calif.)	430.0	363.6	18.3
Crazy Eddie (N.J.)	352.5	262.3	34.4
Fretter (Mich.)	273.0	214.0	27.6
Tops Appliances (N.J.)	260.0	185.0	40.5
Best Buy (Minn.)	239.0	113.0	112.0
Audio-Video Affiliates (Ohio)	229.0	182.0	25.8
Newmark & Lewis (N.Y.)	214.0	142.0	50.7
The Wiz (N.Y.)*	200.0	168.0	19.0
Luskin's (Md.)	140.0	110.0	27.3
Brick Church (N.J.)	100.0	80.0	25.0
Total:	4,700.0	3,550.0	32.4

†For last completed fiscal year ended in first quarter of 1987 for all chains except: Brick Church, figures for year ended Aug. 31, 1986.
*DSN estimates NA: Not available Source: Company reports; DSN research

Circuit City Joins Billion Dollar Club As Top CE Chain Sales Rise 32.4%

By Josephine Fiamingo
Nationwide DSN Report

Richmond, Va.-based Circuit City became the first consumer electronics chain to crack the $1 billion sales mark as volume at the 13 leading CE specialty chains grew by 32.4 percent in 1986.

Highland Superstores, Taylor, Mich., with $656 million in sales; Silo, based in Philadelphia, with $600 million; and The Federated Group, City of Commerce, Calif., with sales of $430 million, followed Circuit City's reported $1.01 billion sales figure.

The 13 leading CE chains, whose sales figures were compiled by *DSN*, totaled $4.7 billion in consumer electronics sales last year, accounting for about 16.4 percent of total CE sales in the U.S., which was pegged at $28.7 billion in 1986 by the Electronic Industries Association, the CE manufacturers' trade group. These

(Continued on page 17)

Maxway Executives Take Over Danners

By Mary Ellen Kelly

SANFORD, Ga. — Maxway Corp. and Danners Inc. have reached an agreement that essentially merges Danners' operations into the Maxway chain.

A series of agreements among Maxway, Danners, The Sherman Clay Group—a West Coast retail, manufacturing and real estate investment firm—and an Indianapolis bank infused $2 million of capital and refinanced $9.7 million in loans to the struggling Danners chain.

Maxway executives Fred Concklin, chairman, and C. David Birdwell, president—who are currently part owners of Maxway, will be principals in the partnership that has invested in Danners. They will assume director and management posts at Danners along with Eric and Michael Schwartz, of Sherman Clay. Mark, David and Ray Danner, Richard Miller and A. Wallace Williams have resigned as members of Danners' board.

Maxway will continue to operate as an 87-unit, privately held company with stores in Georgia, North Carolina, South Carolina and Virginia. The 18 Danners stores in Indiana and Michigan will comprise a public company under the day-to-day management of Maxway. The remaining Danners administrative and merchandising staff will be relocated to Maxway headquarters in Sanford, Ga.

Birdwell, who becomes president and coo of the new Danners, said Danners' financial troubles were basically due to two factors that the recent deal can remedy: Danners' excessive amount of low margin merchandise and its loss of faith among vendors.

Maxway/Danners executives plan to develop family

(Continued on page 4)

Retailers Upbeat as NMRI Passes Baton to IMRA

By Donald Longo

MIAMI BEACH — The mood was upbeat as the nation's leading discount executives gathered here this month at the 22nd and final National Mass Retailing Institute (NMRI) convention to celebrate the creation of a new trade group representing the mass merchandising industry.

Speaking on the state of the new International Mass

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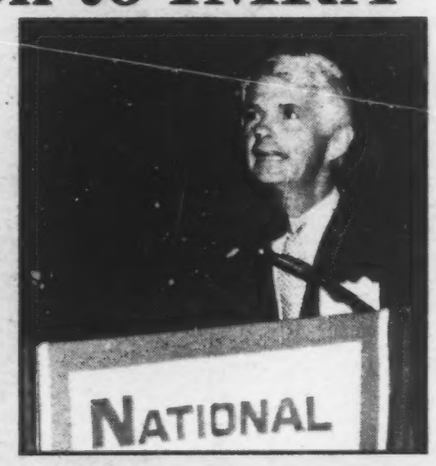


L.H. Harvin, Rose's, speaks at the NMRI convention.

Auto Chain Plans Rapid Growth

Pep Boys March on Atlanta Market

By Richard C. Halverson

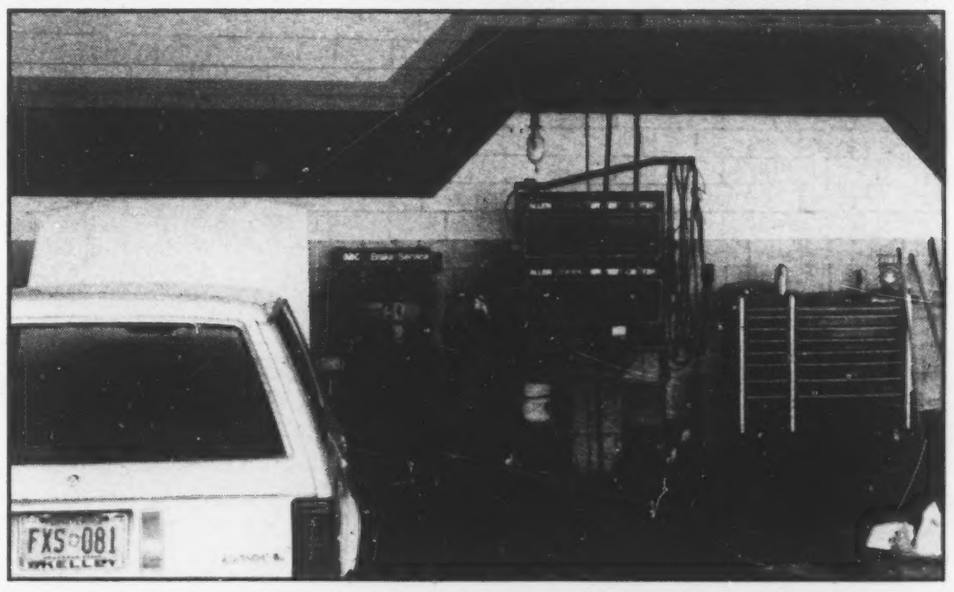
PHILADELPHIA — After learning Southern California "Valleyspeak" and acquiring a Texas twang, The Pep Boys—Manny, Moe & Jack, are now learning how to speak with a Southern drawl.

The automotive specialty chain based here is zeroing in on Atlanta as its next expansion target, following Dallas and Los Angeles.

Between September and December, Pep Boys is set to open six Atlanta stores of 20,000 square feet each, with a total of 35 new units projected nationwide for 1987. In addition, the auto chain plans to open at least one more store in the Atlanta market next year.

The entry into Atlanta is "the beginning of our Southeast market development," said Joe Sarelle, director of construction. Until now, Pep Boys has concentrated on the Middle Atlantic region, the West and the Southwest.

After opening a net of 18 new stores in 1986, including four in Dallas and two in Rich-



In expanding, The Pep Boys—Manny, Moe & Jack, emphasize service bays, such as this one in its Howell, N.J., store. The chain plans to add 35 new units nationwide by 1987. (DSN photo)

mond, "Pep Boys is committed to making 1987 the most aggressive year of expansion in its history," the chain reported in its newly released annual report for its fiscal year 1986, ended Jan. 31, 1987.

All 35 new stores will feature seven to 10 service bays with state-of-the-art equipment, said the company.

"In 1987, we will focus on the Texas market [with five new units targeted for Ft. Worth] and establish a new Southeastern hub in Atlanta, similar to Los Angeles, Philadelphia and Dallas, from which we can blanket a new geographic region with Pep Boys stores," the report said.

The chain reported that it has already spent about $25

(Continued on page 38)

Price Club Opens Pharmacy To Fortify In-Store Services

By Pamela Krein

SAN DIEGO — The Price Co., operators of 27 Price Clubs nationwide, is scheduled to open its first pharmacy this month in a move the membership warehouse company said will further enhance service to its customers.

Normally the benchmark by which all other membership warehouse clubs are judged, Price in this instance is following the lead of Seattle-based Costco, the 38-unit membership club chain that opened its first in-warehouse pharmacy about one year ago.

Like Costco, Price Club is

(Continued on page 38)

Off-Pricer Expands | *CE Chain ... Census*

Specialty Parts Fuel Auto Aftermarket

DS
0024037C
MS JEANNE LONG
CONGRESSIONAL INFOR SVC IFL
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

MARKETWATCH

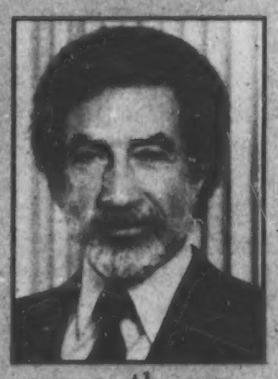
Cook's Sells 26 Stores; Only 3 Left

MAPLE HEIGHTS, Ohio — Cook United has sold all but three of its 29 stores following its second Chapter 11 filing April 22. The remaining stores include one unit in Wauseon and two in Lima, Ohio. Smith Management Co., a New York-based investment company that specializes in financially troubled retail chains, has extended a $500,000 working capital line to Cook and has agreed to provide another $3 million once a reorganization plan is completed. Smith Management will own 48 percent of company equity once the chain emerges from Chapter 11 and Smith exercises its warrants, according to Craig Davis, main liaison from Smith. Davis noted that Cook's favorable tax situation will make the firm attractive to outside investors.

Glosser Bros. Expands Gee Bee Stores

JOHNSTOWN, Pa. — Glosser Bros. announced plans to expand its Gee Bee discount department store chain beyond its current three-state area by entering the Virginia market this fall in the town of Harrisonburg, near the West Virginia border. Gee Bee stores will also open in York, Pa., and Hagerstown, Md., next year, giving the chain a total of 24 locations. Operations had been confined to Pennsylvania, Maryland and West Virginia prior to the scheduled Virginia store site. Last month, Gee Bee opened its 21st store in Meadville, Pa., sharing the shopping plaza location with a Dollar Bargain Outlet, a 48-unit discount chain also owned by parent Glosser Bros.

Deikel Named Direct Marketer of Year



MINNEAPOLIS — The Midwest Direct Marketing Association has named Theodore Deikel, chairman and chief executive officer of C.O.M.B., as the Direct Marketer of the Year. Deikel was specifically cited for developing C.O.M.B.'s Cable Value Network operation into the nation's largest exclusive cable TV teleshopping service. CVN's live round-the-clock show is broadcast to about 17 million households over more than 900 cable systems across the country. The MDMA's award to Deikel was the first time the 27-year-old organization has presented such an honor. Under Deikel, C.O.M.B. has grown from a $37 million closeouter in 1983 to a diversified teleshopper and liquidator with projected 1987 sales of about $500 million. Prior to joining C.O.M.B., Deikel was executive vice president of American Can Co. and chairman, president and ceo of its Fingerhut Corp. direct mail marketer subsidiary.

K mart Adds Leased Banking Centers

TROY , Mich. — K mart has extended its financial services operation to New York State stores for the first time. The chain added leased banking centers with such services as automatic teller machines and IRA plans in 10 stores in Albany, Schenectady, Troy and Syracuse. Fifteen K marts in the state already have ATMs. First Nationwide Bank operates the financial centers, which are among the 150 the bank is scheduled to open in K marts this year (see *DSN*, Jan. 19, page 1). K marts in Kentucky, Missouri, Ohio and Pennsylvania are due to get the banking centers later this year.

Heck's Sells Federal Wholesale Division

NITRO, W. Va. — Heck's, which has been operating under the protection of Chapter 11 of the Bankruptcy Act since early March, has announced plans to sell its Federal Wholesalers division to a group of investors, including Federal president Thomas Bianco. While the wholesale division is not subject to the bankruptcy court's jurisdiction, the prospective sale must be approved by Heck's creditor committees and the court. The price for the sale is expected to be around $7 million, although the actual price will be set by the company's book value at the date of sale, plus a long-term note for $775,000 payable over seven years.

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Wal-Mart, Cullum Change Name Of Supercenter to Hypermart USA

BENTONVILLE, Ark. — Wal-Mart and Cullum Cos. have changed the name of the 220,000-square-foot hypermarkets they plan to open this fall from Wal-Mart Supercenter to Hypermart USA.

This logo will be used on the store the two retailers will jointly launch in Garland, Tex., as well as the unit that Wal-Mart will open on its own in Topeka, Kan.

Next year, the two companies jointly plan to open another store at a yet to be determined Texas site, while Wal-Mart plans another company-run hypermarket at an undetermined location outside of Texas.

Wal-Mart vice president Duane Naccarato, who is chairman of the joint venture as well as head of the discounter's own effort, said:

"The board has approved the name change to Hypermart USA because we feel it will better describe the new merchandising concept we are presenting to the American public. The hypermarket concept has traditional roots in European countries; however, Wal-Mart and Cullum have taken this unique approach to merchandising and gone one step further, giving it an American appeal."

Besides the Wal-Mart/Cullum venture, Carrefour S.A., the $7.3 billion French-based international retailer that pioneered the hypermarket concept, plans to launch its first 330,000-square-foot American store this fall in Northeast Philadelphia. The opening of a unit in Brookhaven Township, a Long Island suburb of New York City, has been pushed back from this fall to next year.

All Hypermart USA stores will follow the same one-stop shopping center format—they will combine a Wal-Mart discount store and a supermarket under one roof, along with adjacent service and convenience stores such as fast-food restaurants.

In the joint venture, Cullum, a $1 billion-plus Texas supermarket chain, will operate the grocery. The Topeka hypermarket, however, will see Wal-Mart team up with Fleming Cos., an Oklahoma City-based $10 billion national supermarket wholesaler, who will run the food area.

The pure hypermarket concept in the United States is currently being used only in Cincinnati by Biggs, a joint venture between Super Value stores, parent of the ShopKo chain, Euromarche, a $2 billion-plus French hypermarket chain, and a French bank and shopping center developer. Biggs currently has only one unit, but plans to open two more this year and an additional 30 by 1995.

However, a number of discounters, including Fred Meyer in the Northwest, Meijer Thrifty Acres in the North Central area and Lloyds in upstate New York, run hypermarket-type stores that combine company-run food and general merchandise departments under one roof.

DSN Adds to Sales Staff; Names Harvey in Midwest

NEW YORK — *DSN* national sales manager John Failla has announced the addition of Jim Harvey to *DSN*'s sales staff. Harvey will serve as a Midwest area manager, working out of *DSN*'s Chicago bureau. Before joining *DSN*, Harvey was a sales representative with the Baronet Corp., based in Secaucus, N.J. He attended the University of Wisconsin in Madison, Wis.

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—5/25,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Answers to questions appear somewhere else in this issue.*

25 Years Ago This Week:

Not Low, Low Enough: After apprehending a shoplift-to-order ring, a Des Moines discounter said, "Naturally, we're happy they like those low, low prices, but it would be nice if they helped out with the overhead."

It's Not the Honor Society: A Denver-area discounter was "incensed" to discover that a local high school girl's club required prospective members to shoplift $150 worth of goods in order to be admitted to the club.

1. What department store chain broke into the discount market with Diskay Discount Marts?
a) Bloomingdale's;
b) Nieman Marcus;
c) W.T. Grant.

20 Years Ago This Week:

What, No Adoption Papers?: Gibson's Stores rejected a flood of "TV toys" to return to the basics, particularly "good, old-fashioned" dolls.

If It Works Out, We're Going to Look at Plano, Tex., Next: J.C. Penney explained the invasion of Atlanta by its Treasure Island discount operation as "an experiment in a different market."

2. The American Stock Exchange approved listing of which discounter's stock?
a) Hills;
b) Ames;
c) K mart.

10 Years Age This Week:

Law-abiding Citizens: Kuhn's Big K of Nashville had to reduce prices on police radar scanners, which had sold well elsewhere on the tailcoats of the CB rage. A buyer explained that there was not enough action in small towns to interest anyone.

Every Picture Tells a Story: An all-out price war between Kodak and Polaroid has turned discount camera departments into loss-leader wastelands, buyers said.

3. Invasion by which discounter forced Boston retailers to lower prices?
a) Price Club;
b) Service Merchandise;
c) CVN.

5 Years Ago This Week:

Not Just a Flash in the Pan: Price Club, whose four stores sold $227 million in goods in 1981, doubled its store count in 1982 and aimed for 20 by 1987. Actual store count this year is 28.

4. Which discounter opened the first two of a projected chain of fast-food and family entertainment restaurants?
a) K mart (Abra K Dabra);
b) Zayre (Zabra Ka Dabra);
c) Bradlees (Brad L Dabra).

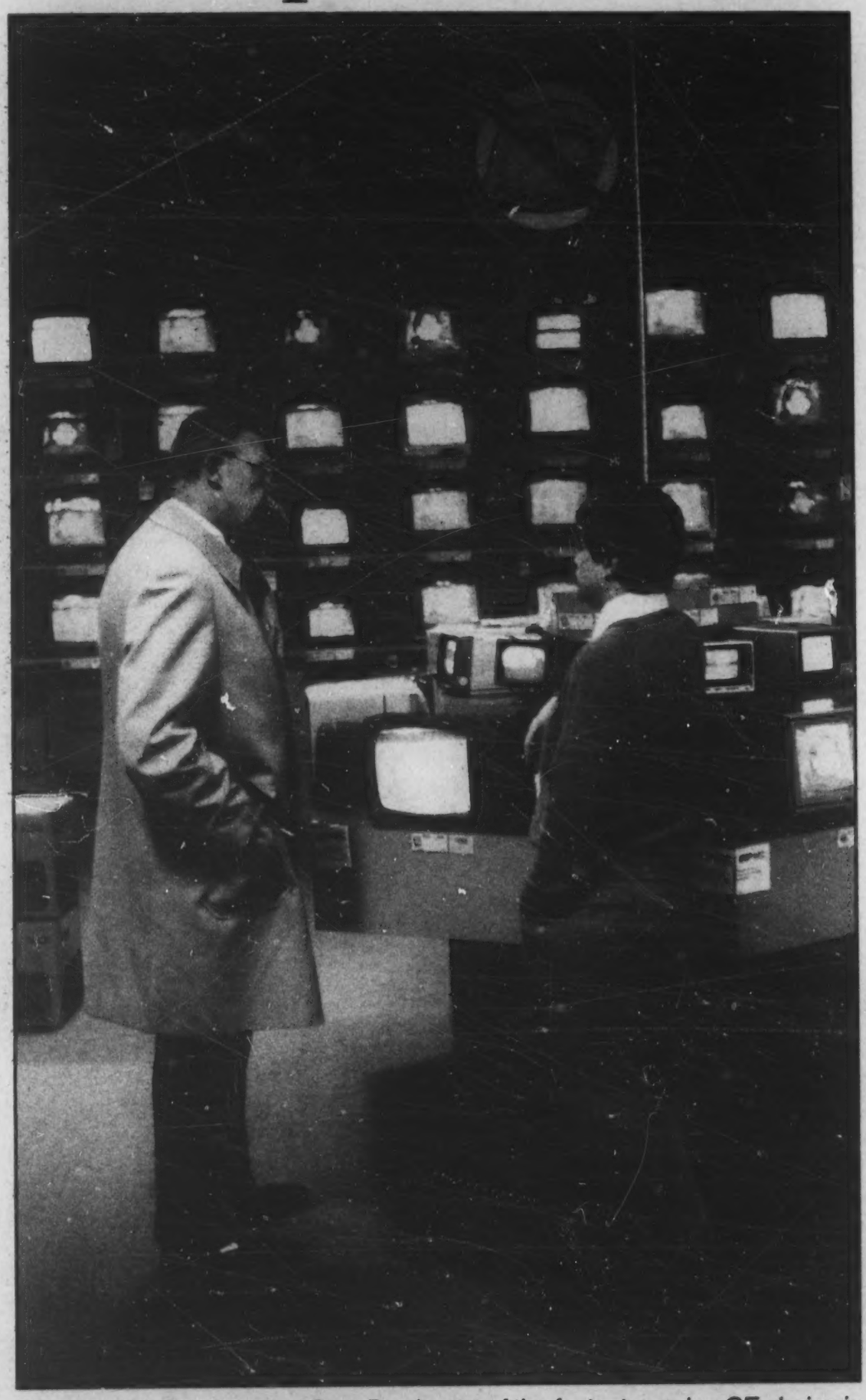
1 Year Ago This Week:

Looking at the Sunny Side: Despite a $4.3 million loss in the first quarter, Heck's management predicted the company would show a profit in 1986. Instead, it lost some $17 million.

5. What electronic retailer went public at the same time it added soft goods?
a) CVN;
b) C.O.M.B.;
c) HSN.

Home Products

Sales Up 32.4% to $4.7B at 13 Top CE Chains



Minneapolis, Minn.-based Best Buy is one of the fastest growing CE chains in the U.S.; sales grew 112 percent to $239 million for its last fiscal year.

(Continued from page 1)

chains operated 653 stores last year and are projected to be running nearly 1,000 outlets by the end of 1988.

Store growth figures from these leading CE chains show that one of the biggest challenges facing these top chains is the intensifying competition, especially in major metropolitan areas.

This year, according to San Francisco-based Montgomery Securities, two or more chains will operate in 77 percent of the 35 largest metropolitan markets in the U.S. Twenty-six percent of these markets will be a battleground for three or more CE chains.

Developments at the industry's leading chains illustrate the incredible growth and special problems of CE specialty retailers.

Circuit City

While a number of other rapidly-expanding chains experienced declines in same store sales growth, industry leader Circuit City achieved comparable store sales growth of 18 percent for the fiscal year ended Feb. 28. Larry Wilson, assistant treasurer, projects comparable store sales growth of 6 percent to 8 percent during 1987. In fiscal 1988, total square footage is projected to increase by between 40 percent and 45 percent.-Expansion plans call for the opening of some 20 new superstores in each of the next two years, with more importance being placed on the 25,000 to 35,000-square-foot superstores.

The chain will enter new markets in San Francisco, Memphis and Baltimore this year, bringing the chain's total to 48 markets.

Circuit City has been extremely successful in the greater Los Angeles market since its entrance there in November 1985 with seven stores. Circuit City, which now has 20 stores in L.A., claimed to have captured $300 million to $350 million of the $2 billion greater Los Angeles CE market, accounting for 30 percent of total Circuit City sales at the end of its last completed fiscal year. The chain garners roughly 15 percent of the CE specialty market in L.A., compared to 10 percent for rival Federated Group, according to Montgomery Securities estimates.

Washington D.C. is the chain's second strongest market, accounting for 15 percent of total sales. The West Coast analyst estimates Circuit City's CE market share in Washington at 30 percent compared to 10 percent for competitor Luskin's.

Circuit City's strategy involves generating high levels of sales per square foot, leading to lower operating cost ratios and the ability to operate with low gross margins.

Highland Superstores

Highland Superstores, the second largest CE chain in the U.S., experienced a 25.9 percent increase in sales to $656 million, even though 35 of its current 53 stores are located in such depressed areas as Texas (18) and Michigan (17).

"Our timing is unfortunate," said Ira Mondry, executive vice president. "However, we know how to operate successfully in depressed markets such as Detroit and know how to come out a winner when the economy improves."

Highland entered the Minneapolis/St. Paul market on May 8 with three stores in Minnetonka, Brooklyn Center and Inner Grove Heights. St. Paul is a strong market with 2.2 million people comprised of many professional, young married couples with a good deal of disposable income, primary customers for consumer electronics.

According to Mondry, Best Buy, which is the dominant CE retailer in Minneapolis, will be a tough competitor but, "we feel that the area is large enough to support another quality retailer." The area is also close to divisional headquarters and Highland's distribution center in Chicago.

In addition to St. Paul/Minneapolis, Highland plans three stores in Milwaukee in early summer, which will compete with Best Buy and American TV, a smaller chain in the market. This fall, Highland will open

(Continued on page 19)

MARKETWATCH

NEW YORK — Conran's, the home furnishings specialty chain, is relocating its Willow Grove, Pa., store to a central Philadelphia site that can better accommodate the company's growth. The new 25,000-sq.-ft. store is slated to open as part of a mid-September Bicentennial celebration of the U.S. Constitution. It will occupy two levels of the Mellon Independence Center, part of which had been used as an office by Thomas Jefferson in 1793. The new Conran's will be adjacent to Strawbridge & Clothier's flagship store. Two other Conran's are scheduled to open this year in East Brunswick, N.J., and in New York City, bringing the total number of U.S. stores in operation to 16. In addition to units in Pennsylvania, New Jersey and New York, Conran's also operates stores in Connecticut, Massachusetts, Maryland, Virginia and Washington, D.C.

WASHINGTON — Video hardware products showed moderate growth during the first quarter of 1987, according to the Electronic Industries Association (EIA). Color television sales improved 7 percent over the year-ago quarter to nearly 4.5 million units sold. Sales of color TVs with built-in stereo rose by 15 percent and the EIA predicts that stereo TV sets will account for some 28 percent of total color TV sales this year, up from about 17 percent in 1986. Sales of black and white TVs declined 9 percent in the first quarter, while projection televisions dropped 8 percent in unit sales. Videocassette recorders (VCRs) increased a modest 4 percent. The association reported that VCR sales declined fractionally in March. On the other hand, camcorders gained impressively by 34 percent to nearly 230,000 units in the first quarter.

Home Video Product Sales
(unit sales to retailers)

Product	1987 1st Qtr.	1986 1st Qtr.	% change
Color TV	4,498,630	4,205,799	7.0%
Monochrome TV	769,469	847,858	– 9.2
Projection TV	66,033	71,946	– 8.2
Color TV with Built-in Stereo	767,029	664,945	15.4
Home VCR	3,013,938	2,907,134	3.7
Camcorder*	229,076	171,067	33.9

*Camcorder figures also included in home VCR sales figures.

Information refers to total market statistics for products produced and/or sold in the United States, regardless of brand name or country of origin.

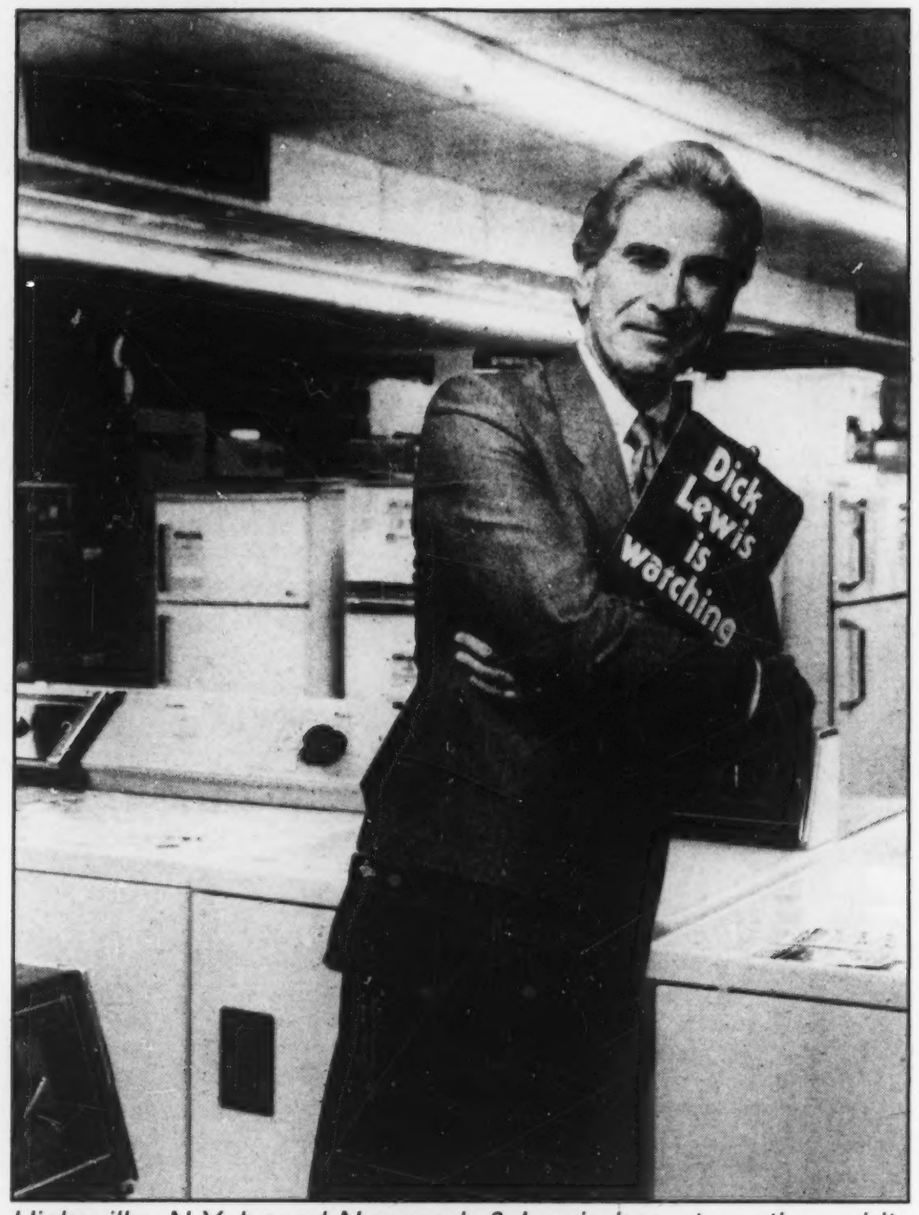
Source: Electronic Industries Association

13 Leading CE Chains Take 16.4% of $28.7B U.S. Market

Leading CE Chains Hit $4.7 Billion in Sales

Chain (HQ State)	1986 Sales† (in mil.)	1985 Sales (in mil.)	% Change	Number of Stores 12/86	12/87	Proj. 1988	Average Store Size (in sq. ft.)
Circuit City (Va.)	$1,010.0	$705.0	43.3%	87	110	130	32,000
Highland (Mich.)	656.0	521.0	25.9	53	63	73*	22,000
Silo (Pa.)	600.0	500.0	20.0	120	160	200	8,000
The Federated Group (Calif.)	430.0	363.6	18.3	59	65	65	30,000
Crazy Eddie (N.J.)	352.5	262.3	34.4	32	40*	45*	8,000
Fretter (Mich.)	273.0	214.0	27.6	45	55	63	15,000
Tops Appliances (N.J.)	260.0	185.0	40.5	2	2	2	50,000
Best Buy (Minn.)	239.0	113.0	112.0	23	40	57*	28,000
Audio-Video Affiliates (Ohio)	229.0	182.0	25.8	106	131	156	NA
Newmark & Lewis (N.Y.)	214.0	142.0	50.7	34	42	52	9,000
The Wiz (N.Y.)*	200.0	168.0	19.0	19	22	26	NA
Luskin's (Md.)	140.0	110.0	27.3	53	58	63*	10,000
Brick Church (N.J.)	100.0	80.0	25.0	20	23	26	10,000
Total:	4,700.0	3,550.0	32.4	653	811	958*	—

*DSN estimates
†For last completed fiscal year ended in first quarter of 1987 for all chains except: Brick Church, figures for year ended Aug. 31, 1986.
NA: Not available
Source: Company reports; DSN research



Hicksville, N.Y.-based Newmark & Lewis has strengthened its No. 2 position in the New York market due, in part, to the success of its current ad campaign, "Dick Lewis is watching."

(Continued from page 17)
four stores in New England. The company also plans to continue expansion in Chicago, adding five to six stores to its current base of eight by the end of the year.

Silo

Dixons Group, the leading retailer of consumer electronics in the United Kingdom, recently reached an agreement to acquire Cyclops, which owns Silo, the third largest CE chain in the U.S. Dixons has indicated its plans to aggressively expand Silo with an accelerated growth program which will include its entry into new markets.

Silo generates approximately $500 to $550 sales per square foot from its 6,000 to 12,000-square-foot stores.

The Federated Group

Despite softness in its Dallas and Houston markets, The Federated Group's sales grew 18.3 percent from $363.6 million to $430 million. The West Coast-based chain said it plans to concentrate on improving internal operations in its 65-store base. Cautious expansion is a possibility in 1988.

"We went from 20 to 65 stores in the last three years and it is time to digest the accelerated expansion program we have had over the last three years," said chairman Wilfred Schwartz.

Crazy Eddie

Edison, N.J.-based Crazy Eddie remained the leader in the greater New York market capturing an estimated 7 percent of the consumer electronics business and compiling one of the highest sales per square foot figures in the industry. Crazy Eddie stores generate $2,900 per square foot.

However, despite a 34.4 percent increase in sales over the last fiscal year, profits suddenly became more elusive for Crazy Eddie. At the end of the fiscal year ended March 1, earnings dropped 19.7 percent to $10.6 million from $13.2 million a year ago.

Estimated annualized sales are more promising at Crazy Eddie's newer stores in Cherry Hill, N.J. (at least $20 million), and Philadelphia ($16 to $17 million) compared to projected average annual volumes of $13.7 million per store chainwide, according to analysts following the chain.

Best Buy

Fast-growing Best Buy, based in Minneapolis, Minn., plans to expand from 23 stores at the end of 1986 to an estimated 40 by the end of 1987. Its 1986 sales skyrocketed 112 percent to $239 million from $113 million.

In June, the chain will invade St. Louis with three stores and will unveil a new 500,000-square-foot central warehouse in Minneapolis for its brown goods. It will also open its first stores in Kansas City and some other rural markets this year.

Best Buy, which currently dominates the Minneapolis market, was prepared for Highland's entry this month. "Highland moving in will not cost us any market share," said Lee Schoenfeld, marketing vice president. "There is plenty of business here with the retail climate getting even healthier for CE."

Newmark & Lewis

Hicksville, N.Y.-based Newmark & Lewis is the leading retailer of consumer electronics in the Hartford, Conn., market. The chain's main emphasis in expansion will be in Connecticut and the upper Westchester County area of New York. Sales grew 50.7 percent to $214 million from $142 million last year.

"We will very shortly cover the entire state of Connecticut," said Warren Hyman, chairman. Newmark & Lewis currently has 11 stores in Connecticut and hopes to have 15 to 18 stores there by the year-end. Closing the geographic gap between Connecticut and Westchester will permit more efficient use of advertising dollars and provide operating leverage, he added.

Newmark & Lewis is also looking to add units in Rockland County, northwest of New York City, and is examining the borough of Staten Island as a possible store site.

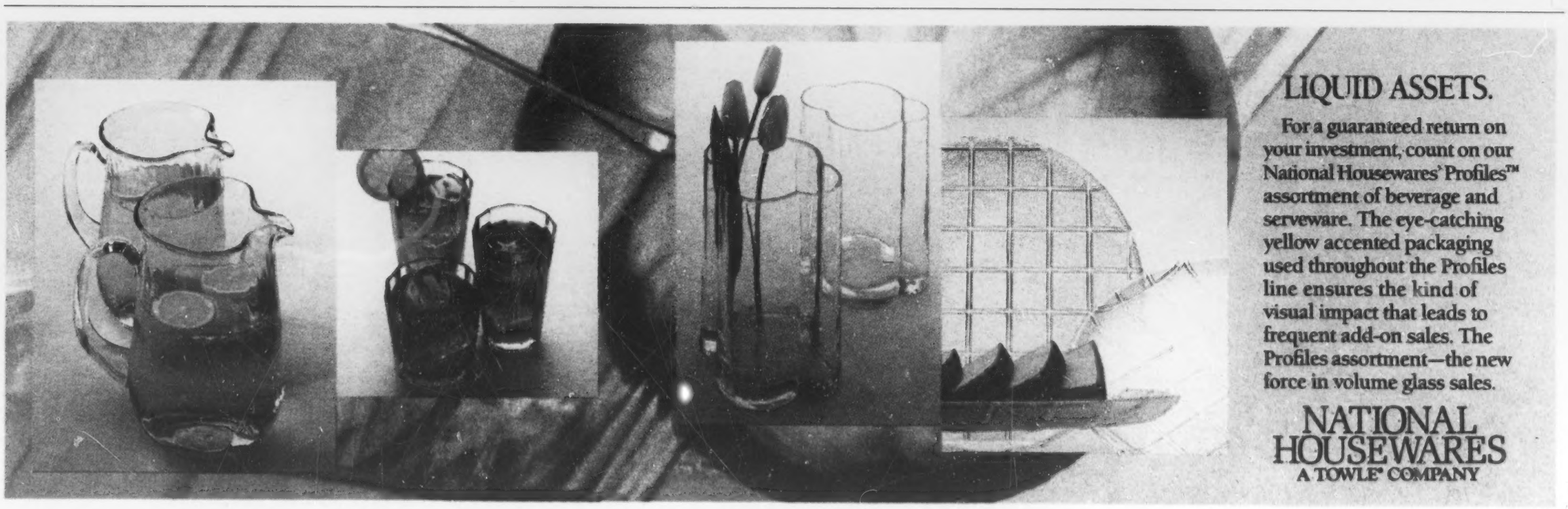
Newmark & Lewis has strengthened its position as the No. 2 CE retailer in the New York metropolitan market, with an estimated 4 percent share of the business, according to the Montgomery Securities analysts. The chain's comparable store sales grew 16 percent last year. The stores generated about $800 in sales per square foot, utilizing almost 90 percent of total building space for selling.

Its successful advertising campaign, "Dick Lewis is Watching," started late last year and has been one of the reasons for the chain's growth. The chain's advertising budget for 1987 is between $15 million and $16 million. For fiscal 1988, sales are expected to rise to some $275 million, according to Hyman.

Brick Church

Brick Church, the Orange, N.J.-based CE chain, is in the process of upgrading all its stores by refixturing with new frontage and new signs in preparation to start selling more electronics. The chain achieved sales of $100 million last year, up 25 percent from the previous year.

Sixty percent of Brick Church's merchandise mix formerly consisted of white goods. Currently, white goods make up 35 percent of the mix while electronics comprise 65 percent. The chain's goal is to increase electronics to 70 percent of the mix, and drop appliances to 30 percent.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For a guaranteed return on your investment, count on our National Housewares' Profiles™ assortment of beverage and serveware. The eye-catching yellow accented packaging used throughout the Profiles line ensures the kind of visual impact that leads to frequent add-on sales. The Profiles assortment—the new force in volume glass sales.
NATIONAL HOUSEWARES
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Hard Lines

Specialty Parts Add Luster to Auto Aftermarket

By Richard C. Halverson
Nationwide DSN Report

If discount automotives buyers get discouraged by dismal sales projections for things motorists "need," such as spark plugs, they might cheer up by looking at sales projections for aftermarket parts for pickups, vans, and four-wheel drive vehicles.

The pickup truck has become the "hot rod of the '80s," and owners are spending thousands of dollars to make it look better or run hotter.

The Specialty Equipment Manufacturers Association (SEMA), Whittier, Calif., provides a look at the specialty automotive market in its 1986 study, conducted by Lang Marketing Resources, Midland Park, N.J.

In a survey of 1,200 buyers of specialty equipment, Lang found that the average consumer spent $1,880 in 1985 with discount stores and auto chains snaring a sizable share of those discretionary automotive dollars.

And market analysts say the discount segment could do even better if it were to follow the example of The Pep Boys—Manny, Moe & Jack (see story, page 1) by installing the parts it sells and paying attention to the predicted rise in the number of older drivers who tend to prefer DIFM (do-it-for-me) over DIY (do-it-yourself).

The study contains information with numerous implications for discounters:

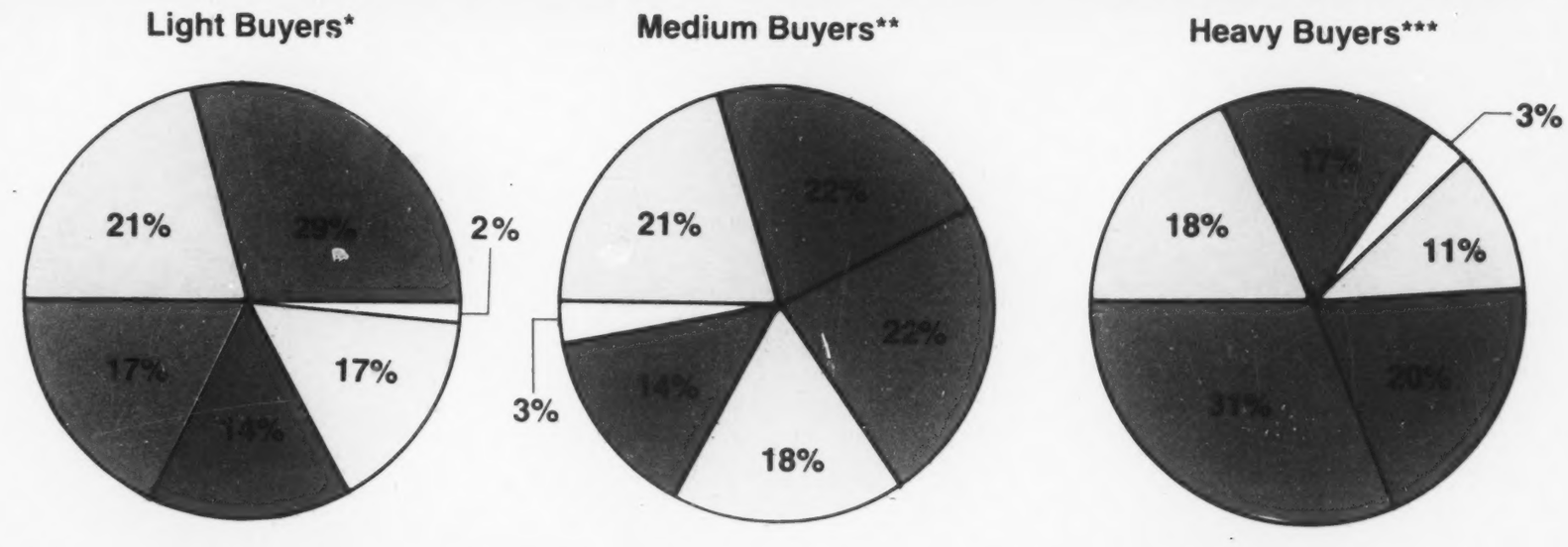
- **Spending Declines with Age.** Customers aged 21 to 24 spent an average of $2,400, compared to $1,560 for those aged 35 to 39.
- **Strong Brand Loyalty.** Of the total number of buyers, 75 percent had a specific brand in mind before they stepped inside a store. Only 5 percent bought another brand if a store was out of the one they wanted. A third of customers allowed a store to order the brand they requested, while two-thirds went to another store.
- **Psychographic Factors.** The most important factor behind a purchase is how it will make a vehicle perform. A high second factor is how it makes buyers "feel" about their vehicles. Another major factor is how customers think the purchase will make others "feel" about the vehicle.
- **Price Ranks Third.** When choosing where to buy, product selection was the most important consideration, followed by brands available. Price came third, and technical assistance provided by the store was the next consideration for shoppers.
- **Discount Store Market Share.** Discounters hauled in the lion's share—29 percent—of dollars that "light buyers" spent on specialty products. Light buyers were defined as those spending less than $500 per year on specialty automotive accessories (see charts). Discounters tied for the largest chunk—22 percent—of dollars that "medium buyers" spent. And they placed fourth at 17 percent for the share of dollars that "heavy buyers" spent. Medium buyers spend $500 to $1,000, while heavy buyers are those spending more than $1,000 per year on specialty automotive accessories.

Moreover, manufacturers surveyed expect that discount stores and auto chains will "substantially increase their retail share" in coming years at the expense of other retailers, such as full-line automotive parts dealers and performance/speed shops.

- **Sales Trends.** From 1981 to 1985, specialty equipment sales grew at an average annual rate of 11.6 percent, more than twice the rate of the total automotive aftermarket. From 1986 to 1990, manufacturers expect the specialty market to grow by an average of 11.2 percent a year, more than 2½ times the growth rate of the total market, which is expected to slow even more.

(Continued on page 28)

Where Consumers Purchase Specialty Auto Products

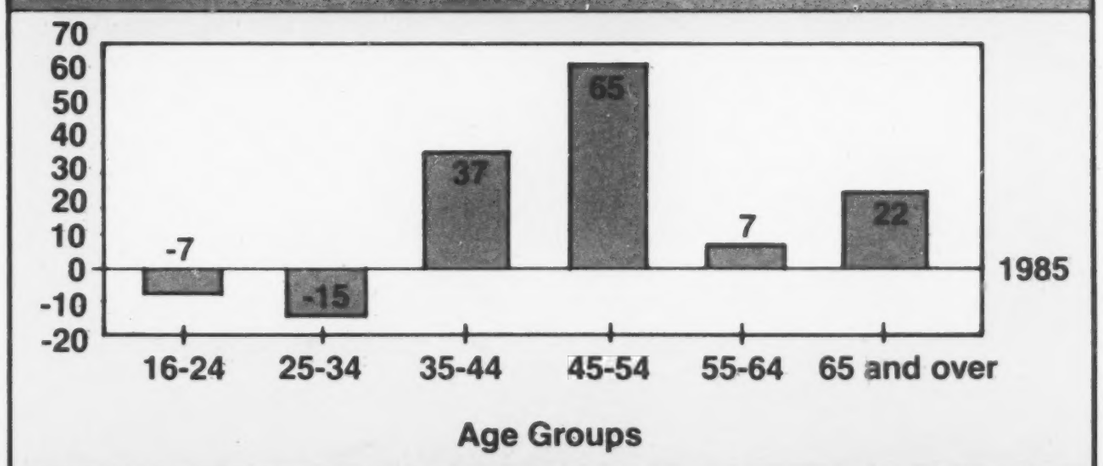


*Up to $500 worth of purchases per year
**$500 to $1,000 worth of purchases per year
***More than $1,000 worth of purchases per year

Source: Lang Marketing Resources

Consumer Age Profile of Drivers

Projected Percent Rate of Change: 1985-1995



Source: Lang Marketing Resources

MARKETWATCH

HOUSTON — A local inventor has developed an automatic toilet seat closer, which he is attempting to market through discount and other outlets nationwide. So far, only **Wal-Mart** has agreed to sell the hydraulic device, which reportedly operates in the same way as a hydraulic door closer. The inventor, Walter Hibbs, plans to approach **K mart** and **Sears** with the product, which he feels will save untold marriages.

* * *

SOUTHFIELD, Mich. — Yaffe & Co. has been named broadcast advertising agency for **R & S/Strauss Co.**, a chain of 75 automotive parts stores operating in Delaware, New Jersey, New York and Pennsylvania. Yaffe will produce all radio and television advertising for the chain. R & S/Strauss logged sales of $75 million last year. It was founded in 1919 by Herman Schlenger, father of current company president Donald Schlenger.

* * *

OAKLAND, Calif. — **Grand Auto**, reflecting a soft automotive aftermarket, reported a modest operating loss for 1986 on flat sales. Revenues dipped to $165.8 million for its fiscal year ended Jan. 25, from $167.7 million in fiscal 1985, the company reported. From operations, Grand Auto reported losing $136,000, or 4 cents a share, compared to profits of $2.6 million, or 84 cents a share, the previous year. An extraordinary gain from selling common stock holdings boosted net earnings for fiscal 1986 to $4.9 million, or $1.60 a share. Grand Auto attributed $2.1 million of the sales decline to discontinued gasoline and car washing operations and a halt in promoting remanufactured engines. But Grand Auto predicted it will recoup lost sales in 1987 through specialized engine installation centers. In addition, the company blamed unusually mild winter weather for a sharp decline in snow tire and snow chain sales that led to a 3.6 percent decline in fourth quarter sales to $39.4 million from $40.9 million in the year-earlier quarter. Grand Auto operates 113 auto stores in Alaska, California, Nevada and Washington. Its stock trades on both the American and the Pacific stock exchanges.

* * *

HOUSTON — **Entertainment Marketing** has opened a Los Angeles office for its consumer electronics wholesale and general merchandise closeout divisions. The office, which will be headed by Adam Carrol, vice president of sales, is expected to reach a volume of $30 million, said Elias Zinn, Entertainment Marketing's president and chief executive officer. A number of manufacturers, including Panasonic, Magnavox, Mitsubishi, Seagate and Western Digital, have appointed the company as a distributor for the West Coast, he added. Besides its wholesale and closeout operations, Entertainment Marketing also is a teleshopper, broadcasting the Consumer Discount Network (CDN) and other shows. **K mart** is the exclusive supplier of non-consumer electronic items for Entertainment Marketing's teleretailing programs.

Specialty Parts Add Luster to Automotive Aftermarket Sales

(Continued from page 27)

• **Shift in Driver Population.** From 1985 to 1995, the number of drivers under age 24 will decline by 7 percent, while the number between ages 24 to 34 will slump by 12 percent. On the other hand, those between ages 35 to 39 will increase by 33⅓ percent, while those between ages 45 to 50 will soar by 60 percent.

"Traditionally, consumer spending on specialty equipment products declines as age increases. Programs will be needed to market specialty equipment products to middle and older age categories, which will have the highest growth rates," the Lang study cautioned.

• **More Installation Service.** "The population profile shift from younger to older consumers will reduce do-it-yourself activity. Retailers will have to increase installation services to appeal to the rapid growth of buyers in their 30s, 40s and 50s. Greater installation services will help expand the size of the specialty equipment market."

• **Population Shift.** Mountain states will experience the sharpest growth in coming years. Growth in the West and South will be positive for the specialty market, the SEMA study concluded, because consumers there tend to buy more specialty products, such as pickup truck accessories.

The specialty market is extremely profitable, said Jim Lang, head of the research firm, because margins are good, and tickets and turnover are high.

Opinions of market analysts differ as to why the specialty market is growing, while the general aftermarket languishes.

"People are keeping their cars longer," said Walter Lahmann Jr., president of American Specialty Equipment Corp., Long Island, N.Y., and a SEMA board member. "I think that helps our market. When you keep a car for five to 10 years, you tend to upgrade the appearance and performance."

Hank Allessio, president of Hopkinton, Mass.-based Automotive Consulting Services, said several factors account for the higher growth rate. Solid employment leads to a great deal of discretionary income. The growth of young (aged 24 to 28) single person households is another factor. "Single households consume more specialty products.

> ***'Hot rodders are older now and more affluent, but they still want their cars to look better and run better.'***
>
> —Leo Kagan, director of marketing, Amco Manufacturing

"The specialty market is driven by a want basis, rather than need," he emphasized.

In addition, "new vehicle segments have altered the landscape. The '57 Chevy once was a hot vehicle to dress up. Now, it's likely to be a pickup or a four-wheel, often a neat-handling import."

In another view, Leo Kagan, director of marketing for Amco Manufacturing Corp., North Hollywood, Calif., a specialist in luggage racks and convertible tops, said the specialty market growth stems from a "desire to change the look of a car or make it run better, so it doesn't look or perform like every other car on the road."

The specialty market started in the '50s when youths wanted their hot rods to "look better and run better," Kagan said. "The hot rodders are older now and more affluent," Kagan said, "but they still want their cars to look better and run better."

Yet all three agree that automotive retailers, if they want to thrive, must provide more service as the driving population ages.

In 1986, only 15.7 percent of auto parts stores provided service bays, according to an estimate by the publication *Specialty and Custom Dealer*, in its annual survey.

"In a limited way," discounters are getting into installation, Lahmann said. "It's gotta happen," because drivers are getting older. "The more aggressive auto retailers will provide installation," he predicted.

Kagan said, "Installation is a growing trend because convenience is more important."

Service is an important part of the success of Philadelphia-based Pep Boys, Kagan said. Each new Pep Boys auto store includes eight to 10 service bays, and parts buyers get a break on installation charges when they buy their parts at Pep Boys, Kagan said.

The DIY trend has flattened, if not declined, Allessio said. "Clearly, the trend is toward DIFM (do-it-for-me), and many retailers are adding service bays.

"Service bays allow Pep Boys to cut a wide swath at the expense of other traditional full-line auto parts stores."

At the same time, the growth of electronics, such as computer engine controls, tends to cloud the service picture, Kagan warned.

He envisions the possible development of electronics specialty shops that will trouble shoot and replace computer chips and modules. They may even rebuild black boxes as alternators and starter motors are now rebuilt.

The specialty market experts focus on several easy-to-install—and hot—specialty product lines that are especially appropriate for discount stores and auto chains:

- Custom wheels and tires;
- Pickup truck running boards and bed liners or mats;
- Lights, such as fog lights and lights to adorn pickup truck roll bars;
- Roll bars and grill guards;
- Chrome engine accessories, such as valve covers;
- Car stripping and molding kits.

Appearance type products, including mirrors, car covers, sheepskin seat covers and wheel covers, are more suitable for discounters, Kagan said, because discount store employees lack the technical knowledge to answer questions for the hard-core specialty parts buyer.

Stuart Hall
has the
best Products
best Promotions
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Crazy Eddie Buyout Bid May Revive Chain's Sales

By Josephine Fiamingo

EDISON, N.J. — The return of founder Eddie Antar may be just what the doctor ordered for Crazy Eddie.

Industry observers expect Antar's bid to buy back some 26 million shares of the chain's stock will rekindle the scorching sales productivity that made Crazy Eddie one of the fastest growing consumer electronics chains and a Wall Street gem.

The CE retailer said it is considering a $7-per-share buyout bid from its founding chairman, who resigned from the company in January for personal reasons, and a Vancouver investment firm, First City Capital Corp., which is controlled by the Belzberg family of Canada.

Antar and First City own about 14 percent of Crazy Eddie's 31 million outstanding shares of common stock. At $7 per share, the purchase price offered by Antar and First City for the remaining shares totals between $186 million and $187 million.

The 36-store chain, which was founded by Antar 18 years ago in Brooklyn, N.Y., said it has appointed a committee of outside directors to evaluate the unsolicited offer. The committee has been authorized to select and retain investment bankers and other advisors to assist in evaluating the bid.

Crazy Eddie was the most heavily traded stock on May 20 when it jumped $2.63 to $7.88 after it received the offer. It closed May 21 at $7.50, up 27.55 percent from the previous two-week period closing. Crazy Eddie stock closed on

(Continued on page 61)

Zayre Spins Off Apparel Units To Allow for Faster Expansion

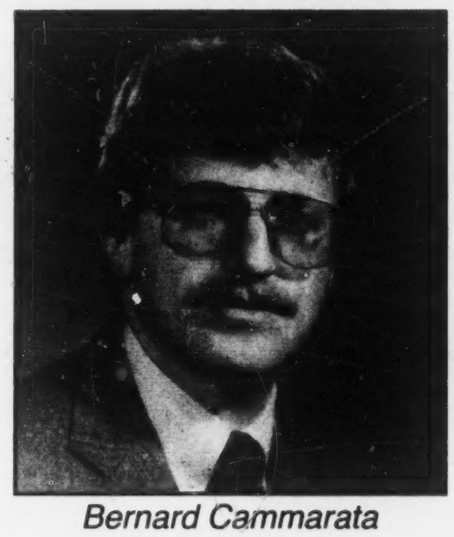
By Mary Ellen Kelly

FRAMINGHAM, Mass. — Zayre Corp. is attempting to spin-off its off-price apparel operations as a separate, privately-held company to raise capital for expansion and to highlight the growing success of those divisions.

At an anticipated initial offering price of $24 per share, Zayre expects to generate roughly $192 million in capital from the sale of 8.5 million shares of the newly formed public company, TJX Cos.

The new company consists of Zayre's 226 T.J. Maxx and 461 Hit or Miss off-price apparel stores and its Chadwick's of Boston off-price apparel catalog, according to the preliminary prospectus released late last month.

The stock offering, which will be used to reduce short-term bank debt and fund future expansion, represents 16



Bernard Cammarata

percent of TJX Cos., with Zayre Corp. retaining ownership of the 84 percent balance.

Maurice Segall, Zayre Corp. president and chief executive officer, said the company first considered creating a separate, publicly-held company about three months ago when it decided there was a need to raise capital "with a long-to medium-term debt issue that would improve the balance sheet and overall cash position of the company."

Segall added that Zayre Corp. will continue to consolidate sales and earnings figures in its annual report which will include financial data on its Zayre Stores, BJs Wholesale Club, HomeClub and the newly created TJX Cos.

TJX Cos. will issue its own annual report, Segall said, with the sales and earnings numbers consolidated for T.J. Maxx family apparel stores, Hit or Miss women's apparel stores, and the Chadwick's of Boston catalog business, which consists of selected merchandise offered at the Hit or Miss apparel chain.

Funds from the offering will be used to add 30 T.J. Maxx stores and 31 Hit or Miss stores during the balance of

(Continued on page 62)

U.S. Suppliers Join Foreign Firms In Appeal for Parallel Import Ban

WASHINGTON — Major U.S. manufacturers—including such discount store suppliers as Procter & Gamble, Tonka, Johnson & Johnson and Kenner Products—have joined foreign producers in urging the Supreme Court to ban parallel imports of lower priced gray market products.

In a brief filed with the court last month, lawyers for a number of American firms charged that unauthorized distributors of parallel imports take a free ride on good will developed by the U.S. trademark owner. They also charged that the public is deceived by gray market goods.

"An American consumer who purchases a gray market good in reliance on the trademark may be in for a disappointment if, for example, the product has been fashioned to suit foreign tastes, quality levels or local legal requirements," the group charged.

The manufacturers said that such disappointment unfairly injures the good will

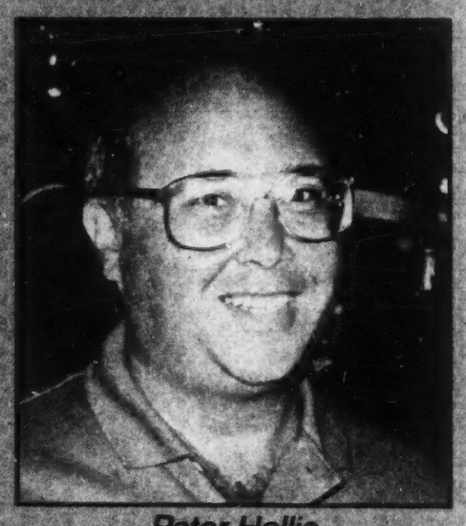
(Continued on page 62)

Ames Credits Sales Jump To Tighter Product Focus

By Peter Hisey

ROCKY HILL, Conn. — Ames Department Stores, which suffered through a year of declining earnings in fiscal 1986, has reported sales "way above projections" for first quarter 1987.

According to a company spokesman, total first quarter sales for the chain of 323 discount and 142 variety stores increased 19.2 percent over last year, with comparable store sales climbing 28.6 percent in February, 6.5 percent in March and 21.7 percent in April.



Peter Hollis

The spokesman cited better and more focused merchandising as a key to the company's performance. Peter Hollis, Ames president, pointed to the addition of executive vice president and general merchandise manager Leslie Dietzman as important in providing better focus in the company's product mix.

According to the spokesman, Ames has made a "concerted effort to control sku's in its circulars" and has made the company's advertising more thematic. The company has become "more product-oriented," with more support of advertised product.

Ames has opened two new stores so far this year and

(Continued on page 62)

Plans to Trim Catalog by 20 Pages

Consumers Dist. to Unveil Prototype

EDISON, N.J. — Consumers Distributing (U.S.) plans to unveil a new prototype this fall when it opens about a half dozen new showrooms in two of its current markets—Boston/Springfield, Mass., and the greater Philadelphia area.

Concurrent with its new showroom look, CD will also show a new face for its annual catalog, which will be cut by 20 pages to 320 pages. The cataloger will play up trimmed categories like toys in a new

(Continued on page 61)

Consumers Distributing will unveil a new prototype this fall, open about six new showrooms, trim its annual catalog, issue a new Christmas Gift Book and phase in its first POS systems. (DSN photo)

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MARKETWATCH

Target Fuels Dayton-Hudson Sales

MINNEAPOLIS — Strong sales at Target helped offset sluggishness at Mervyn's, as total revenues for parent Dayton-Hudson Corp. rose 14 percent during the first quarter, ended May 2. Despite the $14.1 million spent during the quarter to convert 50 former Gemcos into Targets, the discounter continued to be a leading moneymaker for Dayton-Hudson. With revenues of $1.05 billion, Target accounted for almost half of the $2.15 billion volume Dayton-Hudson registered. For Target, sales climbed 18 percent, with same store sales rising 8 percent. With sales of $647 million, Mervyn's registered a 12 percent increase during the quarter, but same store sales rose just 2 percent. Dayton-Hudson said, "Mervyn's lower operating profit reflects weak comparable store sales and a lower gross margin rate due primarily to a planned effort to reduce everyday prices." Rod Bitz, a Dayton-Hudson spokesman, said Mervyn's is making "changes and adjustments to the merchandise mix," including "a more consistent value offering," while also trying to "improve the fashion merchandise—be a little more forward," said Bitz.

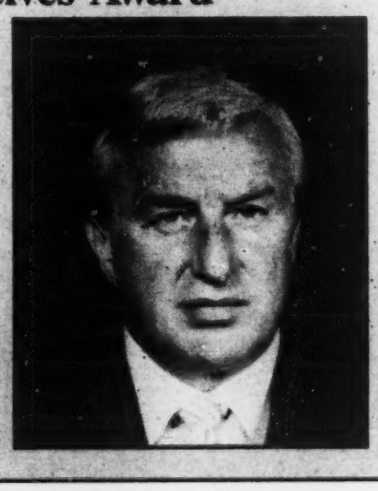
Jamesway Sales Up, Opens 103rd Store

SECAUCUS, N.J. — Jamesway Corporation, the discount store chain based here, celebrated the opening of its 103rd store last month with the unveiling of its newest unit in Etters, Pa. The 60,000-square-foot unit is located in the Valley Green Mall and is the chain's 37th Pennsylvania store. For the four weeks ended May 2, Jamesway sales, excluding leased departments, rose 21 percent over the April 1986 volume to $52.5 million. Store-for-store sales increased 11 percent during the period. For the 13 weeks ended May 2, sales rose 17 percent over the year-ago quarter to $138.3 million. Same store sales increased 7 percent.

Wholesale Club Expands in Midwest

INDIANAPOLIS — The Wholesale Club will open three stores this fall as it focuses its current expansion on filling in current Midwest markets. The cash and carry clubs are due to be opened in Elyria/Lorain as the fourth in the greater Cleveland market and in Fort Wayne and South Bend/Mishawaka, Ind., as its third and fourth in its home market. Last month the membership warehouse opened a unit in the Inver Grove Heights area of St. Paul as its fourth in the greater Minneapolis/St. Paul market. The three new stores will boost the company's count to 15, giving the $158.4 million chain the greatest concentration of warehouses in the upper Midwest of any club operator.

Jewelcor President Receives Award



HANOVER, Mass. — The Cardinal Cushing School and Training Center has presented its Humanitarian Award to Seymour Holtzman at its 21st annual "Springtime in Hanover" dinner. Holtzman is president and chief executive officer of Jewelcor Inc., the parent of the Jewelcor catalog showroom chain and catalog coordinator Jewelcor Merchandising.

FOR THE RECORD

Last month, American Wholesale Club of Plano, Tex., was selling a Makita 6070 DW 3/8-inch variable speed reversible power drill for $53.94. A neighboring Sam's Wholesale Club was selling a Makita 6010 SDW 3/8-inch cordless drill for $46.39. An article in *DSN's* May 25 issue incorrectly implied the two membership clubs were selling the identical product.

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K mart to Add Bank Centers In Up to 17 Chicago Outlets

TROY, Mich. — K mart will add leased banking centers in up to 17 Chicagoland stores this year as part of the discounter's stepped up expansion into the financial services field.

United Savings of America is set to open leased, 136-square-foot Convenience Banking Centers in nine K marts in the greater Chicago area this month, with up to another eight stores due to get the CBCs in the fall.

The deal between the retailer and the bank allows USA to open CBCs "in K marts throughout Illinois at a very rapid rate," said David H. Voss, USA's chairman.

The two companies tested CBCs in six Chicagoland K marts last year. CBC services include checking and savings accounts, CDs, IRA's, tax-advantage investments and USA's Cash Station automatic teller machines.

"We continue to be tremendously pleased with the success of the program," said Jon H. Hartman, K mart's director of financial services.

The agreement with USA is an expansion of K mart's previously announced plans to add financial service centers in 150 discount stores in six other states this year. The chain's goal is to have at least 1,000 stores nationwide with these leased financial sections by the end of the decade.

The earlier expansion was with First Nationwide Bank, and involved additional K mart financial centers in California and Florida, along with the debut of such services in stores in Minnesota, New York, Ohio and Pennsylvania.

K mart first tested financial centers in 1984 in 10 San Diego, Calif., discount stores in a pilot program with First Nationwide Bank.

Subsequently, banks that are members of the First Nationwide Network, as well as other financial institutions, opened these financial centers in K marts in Florida, Indiana, Kansas, Michigan and Virginia.

Characters Break Records

Licensing Expands in Apparel/Toys

NEW YORK — The Licensing Show Merchandisers' Association expected to draw about 7,000 merchandising executives to its seventh annual licensing exposition, held June 3 to 5, in the Jacob J. Javits Convention Center.

More than 130 licensing firms bought exhibit space at what LIMA president Gerrold Robinson called the largest licensing show in the world, eclipsing similar shows held in Europe and Japan.

Child World, the nation's second largest specialty toy retailer, was slated to be one of seven firms honored at an awards banquet last Thursday evening by LIMA for "General excellence in the use of licensed merchandise at retail."

The character licensing

(Continued on page 61)

U.S. Licensing Sales Estimates
(In Billions of Dollars at Retail)

	Total U.S. 1985 Sales	Total Licensed 1985 Sales	% of 1985 Sales
Toys	$ 12.7	$ 8.1	64%
Gifts, Novelties	8.5	3.2	38
Sporting Goods	28.0	7.8	28
Apparel, Accessories	125.5	22.6	18
Publishing, Stationery	37.4	4.5	12
Home Furnishings, Housewares	45.0	4.5	10
Total	$257.1	$50.7*	20%

** Total licensed excludes electronics, computers, video games, foods and beverages, fashion designer licensed products and several home furnishing segments.*

Source: Licensing Industry Merchandisers Association

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—6/8,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Correct answers to questions below appear somewhere else in this issue.*

25 Years Ago This Week:

Bright Lights, Big City: A Denver drive-in theater sued discounter Arlans because the store's lights allegedly obscured the movie screen, even after construction of a $20,000, 30-foot tall fence.

Freeze-Out Meltdown: DuPont, which had been cool toward discounters, started shipping its Zerex anti-freeze direct to many of them.

1. What discounter is the only one of 25 that went public between October 1961 and June 1962 to remain in business?
a) K mart;
b) Caldor;
c) Zayre.

20 Years Ago This Week:

Is That Why They Call It Saving *Time?:* Dallas discounter Gibson extended closing time to 10 p.m. in response to the introduction of daylight-saving time.

We're Tough On U-turns, Too: Toronto police planned to issue parking tickets to abandoned shopping carts.

2. What discounter announced plans for an "invasion" of the North Carolina market?
a) Hill's;
b) Zayre;
c) Ames.

10 Years Ago This Week:

Name Dropper: Kresge shareholders, perhaps noting the relative success of Kresge and K mart stores, voted overwhelmingly to change the corporation's name to K mart.

3. What discount stock plunged more than 14 points in six months, to 29⅝?
a) Wal-Mart;
b) K mart;
c) Zayre.

5 Years Ago This Week:

Bringing System Crashes to the Masses: Discounters were salivating over the results of several tests of discount home computers.

4. What discounter announced plans to close stores for the first time in its history?
a) K mart;
b) Wal-Mart;
c) Zayre.

1 Year Ago This Week:

Super Savers: Price Club's latest offering was discount travel, introduced in its new business customer newsletter.

5. What discounter was rumored to be the target of a $6 billion takeover attempt?
a) K mart;
b) Wal-Mart;
c) Zayre.

Commerce Reports Shoe Imports Jump 13% to $6.3B in '86

WASHINGTON — During 1986, only two of every 10 pairs of shoes on American retailers' shelves were marked "Made in the USA."

According to recent figures compiled by the U.S. Commerce Department, imports' share of non-rubber footwear consumption by Americans passed 80 percent for the first time last year. The 13 percent rise in number of imported shoes (108 million pairs more than in 1985) represented $6.3 billion in value.

In contrast, Commerce Department researchers reported a ninth consecutive yearly drop in domestic shoe industry shipments in 1986. U.S. footwear shipments (excluding rubber and rubber-soled shoes) dropped 13 percent to just over $4 billion in 1986.

Economists reported one positive aspect of the trade picture for the U.S. footwear industry—the declining value of the dollar.

"The gap between the U.S. factory price and the price of imports, which had widened from 1982 to 1985 as the U.S. dollar strengthened, finally began to narrow," they reported. Even so, in the first six months of 1986, the average U.S. factory price for non-rubber shoes was $13.77, while the import price was less than half the U.S. cost—$5.99.

However, economists said the price disparity is expected to be below 100 percent when reviews of 1986 figures are completed.

Rate of Decline to Slow

Of equal significance were government predictions that the declining value of U.S. currency will slow the nine-year slide in the value of domestic shipments. While U.S. footwear shipments are expected to decline for the 10th straight year, the rate of decline should slow to 5.3 percent in 1987. Moreover, economists predicted an average annual rate of decline of only 3 percent for the next five years.

Another 1986 trend which could be good news for the U.S. footwear industry was the increased use of leather by domestic manufacturers.

"Profit margins are higher for leather footwear," researchers said. Leather's share in 1986 was estimated at 57 percent, up from 55 percent the previous year.

Rubber and plastic footwear, like the non-rubber sector, continued a "long-term decline" in 1986, researchers reported. Shipments of "protective" footwear (e.g., galoshes) increased 13 percent, but rubber-soled, "fabric-upper" shoe shipments (athletic footwear and espadrilles) dropped 20 percent. In addition, economists predicted that U.S. shipments of "fabric-uppers" will continue to decline in 1987 "as imports replace domestic production."

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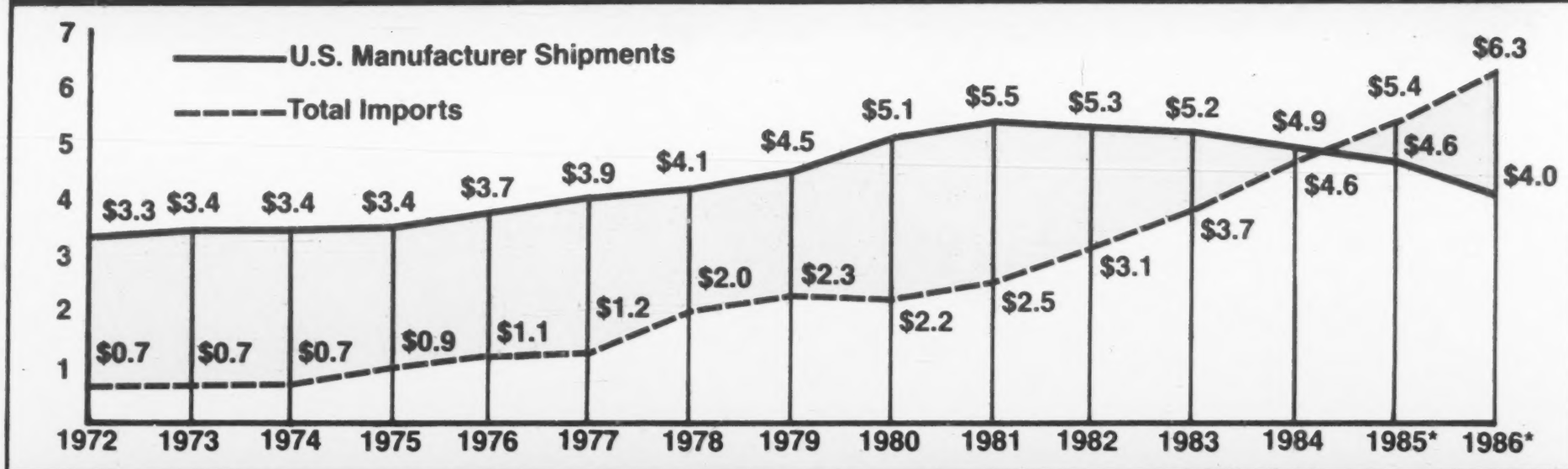
Footwear: Value of Manufacturer Shipments and Imports, 1972-1986

(In Billions)



*Estimate

Source: U.S. Commerce Department

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Changing Demographics Portend Growth for Leather Goods

WASHINGTON — Fueled by more white collar workers and additional women in the work force, consumer demand for leather goods will grow in the coming years, economists at the U.S. Commerce Department predicted.

"Many demographic factors offer optimistic prospects for future growth in consumer demand for leather products," they said. In addition to retail sales generated by changes in the work force, leather goods consumption will be helped by a growing number of retired Americans.

"Expanding rolls of retirees coupled with increases in disposable incomes hint at expanding travel opportunities and corresponding increases in luggage sales," economists said.

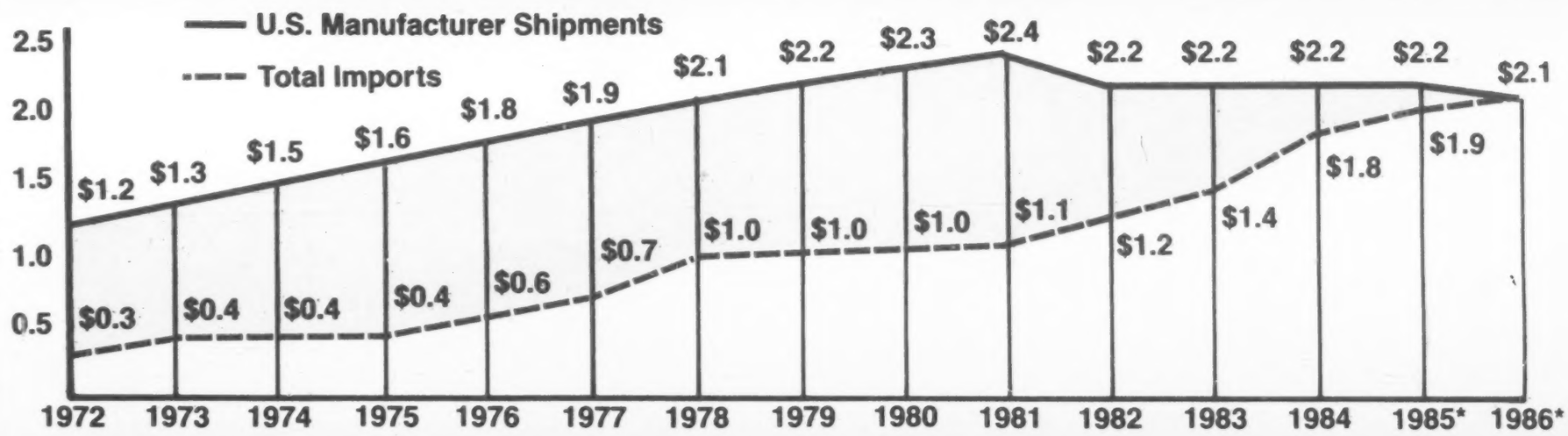
The robust demand for leather goods, while good news for retailers, will not stem the drop in shipments by U.S. leather goods manufacturers. The value of domestic leather shipments fell 3.1 percent in 1986 to $2.1 billion—a decline of more than $50 million from 1985, according to government researchers.

In contrast, imports of leather products (aided by low foreign wage scales in a labor-intensive industry) rose 8 percent last year, gaining "a hefty $153 million," they reported. Economists projected an 0.2 percent fall in U.S. shipments for 1987, with a decline in handbags, personal leather goods and leather clothing offsetting gains in shipments of gloves and luggage.

Significantly, they also predicted that domination by imports in the leather goods market will continue during the next five years.

"As long as a wide disparity in wage rates exists between the United States and its import suppliers (which now account for half the leather products market in the U.S.), growth in consumer demand will likely be satisfied by imported goods," they explained.

Luggage/Personal Leather Items: Value of Shipments and Imports, 1972-1986



*Estimate

Source: U.S. Commerce Department

MANUFACTURER NEWS

NORTH PROVIDENCE, R.I. — **Accessories Associates Incorporated**, a manufacturer of jewelry and accessories, has named **Robert Lallo** chief operating officer. Lallo was previously president of AAi's parent and manufacturing arm, Femic, Inc. As coo, Lallo will report to chairman Gerald Cerce and will be responsible for day-to-day operations at AAi.

And, **Charles Glasko** has been named director of design. He was recently with Monsoon Industries, London, where he coordinated apparel and jewelry lines for Giorgio Armani and Valentino. **Karen Trimble** has been appointed designer with responsibility for developing new product designs for AAi's costume jewelry division. She was formerly owner and principal designer for the Kat Company, Providence, R.I.

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RETAIL MANAGEMENT DEVELOPMENT SERIES

Survey Reveals Computerization Improves Bottom Line Profits

By Randy Allen and Daniel McCarthy

Touche Ross & Co.

POS and MIS are key elements in the success of major retailers today, and they will play an even greater role in that success in the future. The results of the 1986 National Retail Merchants Association/ Touche Ross survey of POS indicate that retailers are investing heavily in this technology and receiving a number of types of benefits from the increasing widespread use of POS systems. Respondents in the current survey are getting much more from their systems than did the retailers in the 1977 and 1981 surveys. It appears, however, that the full potential benefit of this investment is still to be reaped.

Survey Respondents

Responses to the survey came from retail companies throughout the world, representing more than $233 million in sales, generated in over 68,000 stores.

Regarding POS installation, 45 percent of all respondents have converted fully to POS, a 10 percent increase over the 35 percent of the 1981 survey. The percentage with no POS has fallen dramatically, from 43 percent in 1981 to 5 percent today.

Point-of-Sale Environment

In the 1981 study, most retailers did not believe POS could be cost-justified because of the difficulty in assigning dollar values to such factors as improved information and better merchandise planning and control. Today, however, respondents feel that POS is cost-justified and does pay for itself. Experience has shown that the information generated through POS is readily translated into dollars at the bottom line.

With more than 243,000 terminals installed by the respondents to this survey, there is and will be an even greater used-equipment market growing for POS terminals. The majority, 87 percent of the companies, bought new equipment but the remainder bought used equipment. The manufacturers are the purchase source in just over half of the companies, 55 percent.

NCR and IBM generally rank No. 1 or No. 2 in POS among the respondents regardless of type or size.

Portable data-capture units are used extensively in the industry to record sales and inventory and to place orders.

Implementation and Use

In general, respondents in the current survey have realized more of the expected benefits than did the 1977 or 1981 participants, especially in the area of merchandising benefits. More than 72 percent of the respondents who expected POS to lead to improved gross margins achieved their goal, whereas less than 20 percent in the 1977 survey realized that benefit.

Most of the responding companies who have POS are communicating their data to a host computer. A number of the respondents use a combination of methods for completing this communication, depending on the type of store and the age of the equipment. Of those firms not currently communicating to a host, 13 percent plan to implement some type of communications ability in the future.

The responding companies have a broad range of options for handling credit and accounts receivable. Bankcard and credit authorization is the most extensively used application. Among those who do not currently perform this authorization, 13 percent plan to implement it within the next three years. Interestingly, very few firms have any concrete plans to implement debit card processing, an application driven by market pressures rather than by retailers.

Firms that are fully installed make much greater use of the POS capabilities. Particularly among discount chains, sku data is almost universally captured, while hard goods chains have had significant progress in the use of price lookup. Evidence of the interest in this subject is seen in an additional 23 percent of the respondents having plans to implement price lookup in the future.

Retailers have come to expect a wide array of benefits from their POS systems. The benefits most frequently sought are faster, more accurate information and additonal sales information. In the area of disappointments, a number of retailers did not realize increased sales or reduced bad debts.

As compared to 1981, it is in the key areas of increased sales, reduced bad debt, and ability to handle peak season that the realization of benefits has increased. More companies have come to expect merchandising benefits.

The number of full-time equivalents assigned to the initial POS implementation has increased substantially since 1981. While the greatest emphasis is from the areas of EDP, store operations and training, a number of firms are also assigning staff from merchandising and finance.

On-going Operations

In general, the useful life of the respondents' equipment is considered to range from five years to 11 years. Since the installed base has a mean age of about four years, many firms are beginning to think about replacing their equipment.

Approximately 50 percent of the firms, regardless of segment, plan to begin replacing their equipment within the next three years. A substantial percentage of the other firms plan to wait five years.

There is no one specific reason why respondents have replaced their POS equipment. While obsolescence is the reason given most frequently by discount/mass merchandise companies (28 percent), department stores (27 percent) and variety stores (30 percent), new functions is the reason given more often by specialty stores. Low cost and unsatisfactory performance are also cited as reasons for replacement.

Maintenance of POS equipment as a significant annual expenditure has changed since 1981. At that time, 85 percent of the maintenance was done by the vendor; today 64 percent of maintenance is done by the vendor. This trend is expected to continue, especially as the equipment has gotten more reliable and more modular, making it much easier to repair by swapping components. The response from vendors when there are problems has improved dramatically, with 72 percent of the survey participants getting a response within four hours.

Back-Office Environment

Who has an in-house computer? Almost everybody, regardless of segment, region and even size. Though IBM is the number one primary back room minicomputer, other makes are found in significant numbers. Interesting breaks from the pattern show 44 percent of discount chains using the NEC computer and 22 percent of the soft goods specialty companies using Burroughs. Twenty-two percent of varity chains use Honeywell. The variances are explained in part by the international composition of the sample.

In choosing microcomputers, retailers overwhelmingly chose IBM. Texas Instruments, however, is the choice of 57 percent of the soft goods specialty chains who responded to the question.

As a group, the respondents spend slightly over 1 percent of their sales on MIS. The actual range can be quite broad, however, with firms reporting as little as 0.1 percent or as much as over 2 percent. As firms grow in size, they do gain some economies of scale. However, the rate of decrease falls off as the percentage reaches 1 percent.

As would be expected, personnel accounts for the largest MIS expenditure, ranging from 36 percent among variety chains to 56 percent among soft goods specialty companies. There is also a wide range of budget figures in the area of POS equipment, mainframe equipment, operating software, voice communications and maintenance.

The amount budgeted for personnel, as a percent of sales, declines with the increase in total sales. Among the smallest companies, 55 percent of the MIS budget is dedicated to personnel, whereas the largest companies dedi-

(Continued on page 55)

Ways in Which POS Systems are Used: Merchandise and Inventory

Type of Function	Discount/ Mass Merchandisers	Specialty Hard Goods	Specialty Soft Goods
Markdowns	52%	55%	57%
Transfers	28	50	41
Big Ticket Processing	12	34	8
Ticket Generation Requests	4	16	5
Receipts	28	50	38
Purchases	20	34	16
Physical Inventory	36	42	20
Price Changes	24	58	36
Price Look-up	48	58	16
Sku Data Capture	92	61	76
Special Order Printing	8	21	3
Inquiry for Stock Availability in Warehouse or Other Stores	20	26	5
Automatic Ordering and Delivery for Customers	12	16	2
Picking Ticket Generation	8	18	8
Trade-in of Merchandise	16	26	17
Merchandise Exchange	36	42	54
Merchandise Credits and Refunds	72	55	66

Directions for Test

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June 8, 1987

Questions

Indicate whether the statement is true or false.

1. Most respondents feel that POS does not justify its cost.
   True False
2. The market for used POS equipment is on the rise.
   True False
3. Few companies use POS for credit authorization.
   True False
4. Faster, more accurate information are the benefits most frequently expected from POS.
   True False
5. Useful life of POS equipment is between four and six years.
   True False
6. Poor response from vendors to maintenance requests was cited as a major problem.
   True False
7. Survey respondents spend about one percent of saies on MIS.
   True False
8. OCR-A Tickets are widely used in many of the responding discount companies.
   True False
9. The UPC machine-readable ticket is being planned by a large number of respondents.
   True False
10. Electronic communication with supplies is still many years off for most retailers.
    True False

CALENDAR OF EVENTS

NEW YORK — The following is a listing of shows, conventions, seminars and markets that should be of interest to discount and specialty store retailers.

DSN will periodically update the calendar to include new shows or to indicate changes in dates, time or location of current listings.

Associations, sponsors and organizers are invited to submit information on their shows to:

Calendar Editor
Discount Store News
425 Park Ave.
New York, N.Y. 10022.

JUNE

9-12: **Chicago Summer Floorcovering Market**, The Merchandise Mart, Chicago, Ill.

23-25: **Cosmetic, Fragrance & Fashion Accessories Trade Show**, Show Boat Hotel, Atlantic City, N.J.

28-30: **N.A.M.S.B.**, New York Penta Hotel, New York, N.Y.

JULY

10-14: **Transworld Housewares Show**, O'Hare Expo Center, Chicago, Ill.

19-24: **Early Bird Gift & Accessories Market**, The Merchandise Mart, Chicago, Ill.

25-29: **Chicago Gift & Accessories Market**, The Merchandise Mart, Expocenter, Chicago, Ill.

27-29: **International Lawn & Garden Expo**, Kentucky Fair & Expo Center, Louisville, Ky.

AUGUST

6-9: **AFTMA - American Fishing & Tackle Mfrs. Association**, Georgia World Congress Center, Atlanta, Ga.

9-12: **National Hardware Show**, McCormick Place, Chicago, Ill.

9-13: **New York International Gift Fair**, Jacob Javits Convention Center and The Passenger Ship Terminal, New York, N.Y., (212) 686-6070.

9: **SPARC**, Hyatt Regency, Chicago, Ill.

14-18: **California Apparel Mart - Open Week**, Women's & Children's Holiday Apparel, California Mart, Los Angeles, Calif.

15-19: **Chicago Apparel Mart - Open Week**, Women's & Children's Holiday Apparel, Chicago Apparel Center, Chicago, Ill.

16-19: **Video Software Dealers Association**, Bally's Grand Hotel, Las Vegas, Nev.

21-26: **Dallas Apparel Mart**, Dallas Market Center, Dallas, Tex.

23-25: **California Stationery Show**, Convention & Performing Arts Center, San Diego, Calif.

23-26: **San Diego Gift Show**, El Cortez Convention Center, San Diego, Calif.

POS Improves Bottom Line Profits

(Continued from page 52)

cate about 42 percent for personnel. There is no such pattern seen in most of the other expense categories. However, a substantial number of larger firms are making major investments in voice communications.

There is a clear relationship between the sales volume of the company and the existence of a systems steering committee. Only one quarter of firms with sales below $50 million have a steering committee; and 83 percent of firms with sales over $350 million have a steering committee.

The majority of responding companies (71 percent) treat MIS costs as company overhead.

Overwhelmingly, responding retailers expense costs for systems development. A significant number of companies, however, capitalize these costs, as seen in the 19 percent response from department stores, the 25 percent from variety stores, the 20 percent and 24 percent from specialty chains. Almost no one considers the costs as research and development.

Systems and Processing

In terms of applications in the selling cycle, sales audit and sales analysis are the most common applications among responding firms that have an in-house computer or service bureau. With the exception of credit authorization, the majority of these applications are batch systems, developed internally, and do not use data bases.

Accounts payable (83 percent), general ledger (80 percent) and payroll (78 percent) are the most commonly used applications in the financial cycle. These applications are automated in most companies. Department stores show a high response (70 percent) in use of the country club accounts receivable application.

A good many applications in the financial cycle have been installed for at least five years. Many of the financial cycle applications have been developed internally or are served through packages. The greater use of packages in the financial area is probably due to the fact that more packages are available for this cycle.

In the purchase cycle, applications used by a good number of respondents include purchase order management (60 percent), merchandise receipt (61 percent) and staple stock (65 percent). In comparison to the other segments, department store companies show a heavy use of open-to-buy. Hard goods specialty stores break the pattern in item replenishment, with a 60 percent affirmative response.

Most of the applications in the purchase cycle were installed about four to six years ago. The big ticket application has been installed in department stores and discount chains for more than seven years. Automated matching is a relatively new application where retailers are currently investing in systems development. This is probably due to a lack, until recently, of package software in these areas. Those applications are generally online systems with close to half of them using data bases.

Technical Trends

The print-only ticket is still widely used in all segments. But other types of tickets also appear prominently. OCR-A, for instance, is used by 20 percent of discount/mass merchandise companies and by 18 percent of department stores responding. The discounters use UPC marking to a significant degree. As yet, very few firms have developed their own bar code.

OCR-A has risen and fallen, while UPC has made tremendous gains since 1977. The use of print-only tickets is declining fairly rapidly.

Today more department store companies (59 percent) are keying into POS than were doing so in 1981 (43 percent). In contrast, the 48 percent of discounters keying data at POS today is a decline from the 62 percent in 1981.

Among specialty stores, both hard goods and soft goods, this year's percentages (50 percent and 44 percent, respectively) keying at POS are much higher than in 1981 (28 percent).

As for wanding and scanning at POS, even the small percentage of stores represents an increase over the numbers given in 1981. Therefore, progress is being made in these technologies.

In spite of the small number of firms currently scanning, almost 40 percent plan to introduce this procedure in the future. Such plans are common in all segments.

What types of machine-readable tickets are retailers planning to introduce? The dominant preference appears to be EAN/UPC, which is preferred by almost half the respondents. The bar code is in the plans of a number of discounters (21 percent), department stores (33 percent) and specialty store companies (29 percent and 48 percent). Twenty-one percent of discount companies also show significant interest in OCR-A.

Among those firms not planning to use UPC ticketing in the future, those firms with sales under $50 million dominate; 68 percent of retailers in that category have no plans for EAN/UPC. At the other end of the scale, 86 percent of those with sales over $350 million eventually plan to use UPC in the future.

For the most part, as the size of the firm increases, so does the frequency of electronic communication with suppliers. For instance, among firms with sales under $50 million, 73 percent state that they have no plans at present to institute electronic communication, while a majority of firms with sales over $150 million plan to do so within the next year. The primary data being transmitted electronically to suppliers is for invoices and purchase orders.

The complete results of this survey have been published in book form in "Point-Of-Sale: Current Trends and Beyond," written by Randy Allen and Daniel McCarthy. It is available from NRMA.

About the Authors

Randy Allen is a partner in the New Jersey offices of Touche Ross and is a national director for retailing. She has written and spoken extensively on POS and other retail technology topics.

Daniel McCarthy is a senior consultant at Touche Ross, with a strong background in retailing and consulting.

Don't play games with your lungs.

Your lungs are an incredible piece of equipment. But they're also incredibly delicate. Every time you smoke, you damage your lungs. Puff after puff, day after day, your lungs get weaker and weaker until finally, they're useless. Like a flat football. Don't let that happen to your precious lungs.

—*Eric Dickerson*

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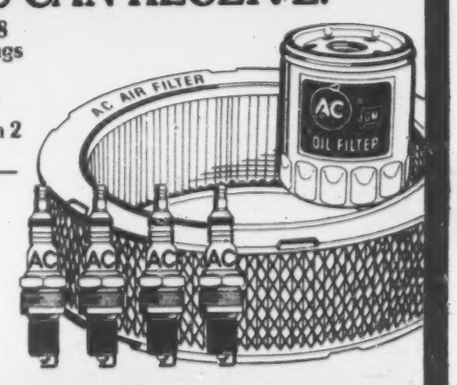

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Crazy Eddie Buyout Bid May Revive N.Y. CE Chain's Sales

(Continued from page 1)
May 28 at $7.63 per share.

Crazy Eddie was at its peak in the eyes of analysts and other industry observers in September 1986 when it was churning out $3,300 in sales per square foot. Its major New York metropolitan market competitor, Newmark & Lewis, was generating $700 sales per square foot at the time, according to estimates by Donald I. Trott, an analyst with Dean Witter Reynolds, a New York securities firm.

Trott attributed this sales productivity to Antar, and his ability to fire up his sales personnel. Antar was particularly effective in educating consumers that his stores had name brand goods at the lowest prices. Consumers traveled distances away just to shop at his stores, he added.

This is not the case anymore, Trott said, as the other three major New York CE retailers—Newmark & Lewis, The Wiz, and Trader Horn—have attained increasingly higher profiles. All have greatly expanded their number of stores and increased their advertising budgets. Edwin L. Underwood, vice president of Scott & Stringfellow, based in Richmond, Va., agreed that the competitive activity has become much tougher during the last six months of Eddie's absence.

In December, Crazy Eddie's comparable store sales were down 9 percent, while Newmark & Lewis' comparable store sales grew 18 percent that month.

"We estimate today," Trott said, "that Crazy Eddie's sales per square foot is $2,300 compared to Newmark & Lewis' sales of $850 to $860 per square foot. Now the gap has shortened. What used to be a 5 to 1 margin in September 1986 is now 3 to 1."

Trott predicted that Crazy Eddie's sales floor productivity will level off at $1,800 to $2,000 in sales per square foot, a far cry from the $3,300 per square foot figure of 20 months ago.

"The deteriorating older store sales pattern will continue into the company's next and probably last public announcement for the three-month quarter ended in May when older store sales will be down by 20 percent or more," Trott said.

The return of the elusive Antar, who could not be reached for comment for this article, has raised questions concerning his motives for taking the company private, especially in light of the low purchase bid.

Crazy Eddie went public in 1984 at $8 a share. Since going public, Antar has sold off at least $68.4 million of the company's stock, according to Securities and Exchange Commission documents. In the past 52 weeks, Crazy Eddie's stock price has ranged from a high of $21.63 to a low of $4.63, just prior to the announced buyback bid. At least one shareholder suit has been filed against Crazy Eddie and Eddie Antar alleging various securities law violations.

"I believe that the $7 price per share in the offer is the lower end of fair," Trott said. "A fair price would have been between $7 and $9 a share," he concluded.

Underwood believes the price is fair considering the current performance of the company, which may benefit from inspirational help from Antar or new direction from the Belzbergs.

"Eddie Antar obviously knows the business and perhaps he thinks it will run better as a private company," Underwood said. "Antar is an intangible of the company and management needs his energy to keep salespeople fired up," he added.

An informal survey of store level personnel indicated that Antar's absence has affected Crazy Eddie, especially veteran store managers and salespeople. "It is the feeling expressed throughout the company . . . we need him back," said one store manager.

CD (U.S.) to Unveil New Prototype; Plans to Trim Catalog

(Continued from page 1)
90-page Christmas Gift Book that it will be issuing for the first time.

Besides these two moves, the cataloger this year is phasing in its first point-of-sale systems in 25 to 30 showrooms after testing electronic terminals in a number of stores. The POS system is patterned on the one used by CD's parent, Consumers Distributing (Canada), in its showrooms.

CD (Canada), meanwhile, has named Henri A. Roy, chairman and chief executive officer, to the additional post of president, succeeding Michael H. Haberman, who left the company after a number of unexplained "policy disagreements" with Roy.

Roy, who was named chairman and ceo of CD (Canada) in February, also continues as executive vice president of Provigo Inc., a Montreal-based food distributor that owns a 46 percent voting interest in the publicly-held Canadian cataloger.

Haberman's leaving completes the departure of the two-man top management team that led the cataloger during the past few years. CD (Canada) founder Jack Stupp resigned as chairman, ceo and board member in February 1986 following the sale of his family stock to Provigo.

Provigo's management of CD (Canada) did not slow down its growth in sales. The cataloger's volume in the fiscal year ended Jan. 31 of $933.4 million (Canadian) represented a 6.4 percent gain from $876.6 million, while income from continuing operations more than doubled to $5.6 million from $2 million. These results don't include losses from discontinued operations. CD (U.S) closed 73 stores in California and Nevada in 1986.

The Canadian showroom had a 7.2 percent jump in sales to $605.6 million from $565.1 million, while the U.S. chain's volume of $327.8 million was a 5.2 percent gain from $311.5 million.

The 89 units in the U.S. division, more importantly, had an operating profit of $780,000 compared to a $2 million loss in the previous year.

CD (U.S.)'s new showroom prototype positions jewelry as a kiosk-type showcase counter in the center of the store to markedly heighten its visibility and access to shoppers. CD's small showrooms, which average about 10,000 square feet, only display jewelry, with the presentation of all other merchandise limited to samples of only a few items.

The pickup desk remains in the back, with sample displays of other items on the showroom's walls.

The scaled-down catalog, scheduled to be distributed in early August, will show a trimmed selection of seasonal items like toys, with much of this merchandise switched to the new Christmas catalog.

The Christmas gift book will come out in November and replace one of the five holiday flyers CD (U.S.) had issued in previous years. Its mix of gift items like jewelry, consumer electronics and housewares, and seasonal goods like toys is seen as an enhancement to the larger catalog, CD (U.S.) executives said, because of the sharper holiday focus of the Christmas book.

The Christmas catalog is an image book; most items will be offered at the cataloger's everyday price, rather than at a sale price. Jewelry will account for less than half of the mix, so the catalog assortment will have the widest possible appeal.

The key to putting the new gift catalog together, an executive explained, was picking strong demand products that carried higher margins, so that the book will draw customers and return a profit even with the inclusion of those items that are offered at sale prices.

Licensing Expands in Apparel/Toys

(Continued from page 2)
field has reached a mature stage, Robinson said, and some lines are regressing.

On the other hand, staples such as Mickey Mouse and Minnie, "have never been hotter," he said. New characters, such as Max Headroom, also are doing well.

Generally, though, it's a return to basics, he said, or anything that people 25 years old can identify with, including Snoopy and Dick Tracy. "The old staples are running well ahead of the pack," Robinson said. "Newly emerged growth properties are fighting uphill," he said, although some preschool licenses are hot.

In apparel, "licensing is everywhere," he said. Of established brands, more than 50 percent appear on clothing, said Robinson, also president of Pilgrim Industries, a New York manufacturer of children's apparel.

In the corporate logo category, licensing is "breaking every record," Robinson said, doubling almost each year.

In addition, brand extension, such as using the Seagrams name—through Coca-Cola—on ginger ale and other mixes is better than ever, Robinson said.

Guest speakers at the show included Pulitzer prize-winning journalist Jack Anderson, Dan Witkowski, a producer and magician who put on this year's Super Bowl halftime extravaganza, and Naomi Warner, who teaches a licensing course at the Parsons School of Design in New York.

As was the case at last year's show, a number of new products were expected to be introduced, said Bob Licker, marketing director for Expocon, Southport, Conn., a trade show company that is producing the show.

Several new licensing firms are exhibiting this year, Licker said. As the licensing industry enters a "second generation phase," it no longer is a question of whether to license, Licker said. Instead, the question is what products to license as manufacturers "fine-tune" their programs, he said.

Licker predicted that the industry will undergo a shakeout as the number of available licensing deals soar.

An Audits & Survey study that LIMA commissioned found that almost two-thirds, or 64 percent, of toys sold in 1985 were licensed products. Gifts and novelties was the next largest, with licensed products accounting for 38 percent of such goods in 1985.

At retail, sales of licensed goods and services totaled $54 billion in 1986, LIMA estimated. By 1990, the total will hit $90 billion, the trade association predicted.

Looking ahead to 1988, LIMA has scheduled its eighth annual show from June 7 to 9 in the same center.

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Vol. 26, No. 12 June 8, 1987

TWA Begins In-Flight Gift Boutique

(Continued from page 3)
form, paying either by cash or any of six bank or travel and entertainment credit cards, including the TWA Getaway card.

Ambassador Boutique is a gift-oriented merchandising service, geared to presents that passengers forget to purchase, travel convenience items or games to use during a flight. Its first offering of 18 small, gift type items that carried full markups included a box of two TWA model aircrafts ($10), Travel Scrabble ($18), a 10-karat gold-filled Cross ballpoint pen ($26), Swatch Watches ($35), a Majorica pearl bracelet ($50), a Kodak 35mm camera ($55), metal aviator Ray Ban Sunglasses ($59) and a Burberrys Scarf ($70).

Stock of the 18 items are carried on each plane and is sold on a first-come, first-served basis. If an item is sold out, TWA cannot accommodate a customer by a mail order shipment after the plane lands, a spokeswoman said.

Vendors ship the merchandise to the approximately two dozen cities served by the 36 flights on which goods are sold. The assortment will be reviewed monthly and items dropped and added as sales warrant.

The $3 billion airline diversified into retailing last fall when it launched TWA Marketing Services as its merchandising subsidiary. The subsidiary's first retailing venture was The Travel Channel, a cable TV teleshopping and travel news and information service that began broadcasting in February (see *DSN*, March 2, page 3).

While the Ambassador Boutique program falls under TWA Marketing Services, it is part of the Airline Sales Division which has its own buyers, separate from The Travel Channel.

The proposed mail order catalog will be sent to holders of the airline's credit card and members of its frequent flyer program as well as names from selected mailing lists.

6/19/87 C5150-3

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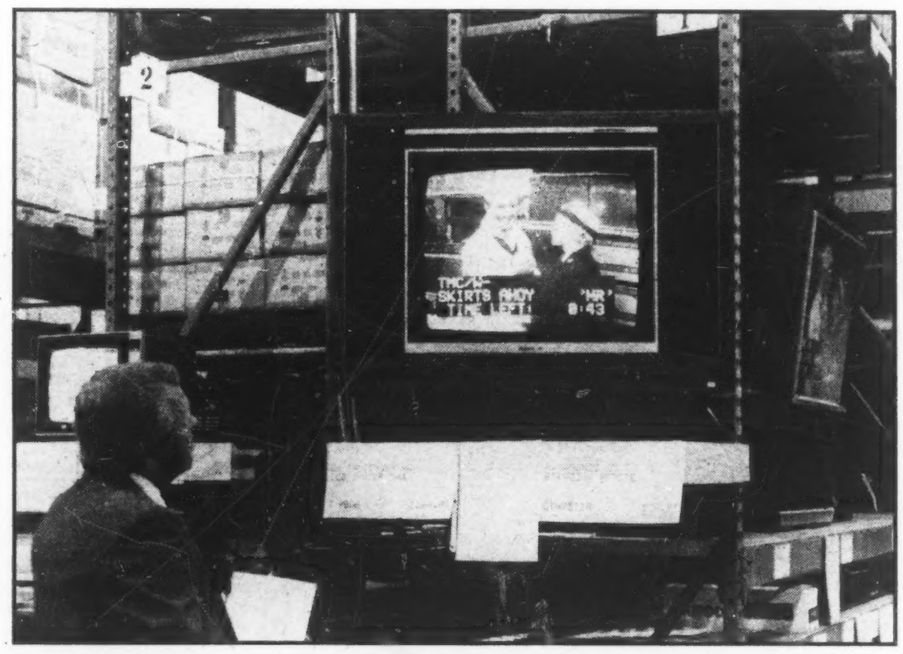

Large screen TV attracts attention at Costco's new membership warehouse club in Palm Harbor, Fla. The Seattle-based firm is focusing more heavily on business customers. (DSN photo)

New Costco Card Policy Shuns Casual Shoppers

By Peter Hisey

PALM HARBOR, Fla. — Costco, the Seattle-based wholesale club chain, opened its 40th store here with an industry innovation—general public memberships which cost more to buy than their business memberships.

Group members, who used to have an option between a free membership, which allowed them to buy at 5 percent above the wholesale cost, and an expensive "gold card" which allowed them to buy at the same cost as business members, will no longer have a choice of memberships. They will now pay $30 for a yearly membership, versus $25 for business members, and existing free memberships will not be renewed when they expire.

In return, consumers will be able to buy at the same prices as business members. The public normally pays a 5 percent surcharge for merchandise at wholesale clubs.

"We've been phasing out the old group memberships since last fall," said Costco president Jim Sinegal, "and all new openings offer only the [$30 group] gold card." The gold card allows group members to buy at the same price as wholesale customers.

Industrywide, group members have traditionally received cards for free or for a relatively minor investment of $10 or $15 for a lifetime mem-

(Continued on page 38)

Walton Announces Stock Split; Sees Sales Topping $19 Billion

FAYETTEVILLE, Ark. — Wearing a baseball-style Wal-Mart cap, founder and chairman Sam Walton told about 6,000 stockholders, attending the company's annual meeting June 5, that revenues might hit $19 billion or even $20 billion in fiscal 1989.

Wal-Mart also outlined growth plans for its new hypermarket division which will operate Hypermart USA units and smaller Wal-Mart Super Center stores this year.

Walton led applause and gave pep talks throughout the two-hour meeting that was held in the basketball arena of the University of Arkansas, a few miles from company headquarters in Bentonville.

During the meeting, Wal-Mart announced a two-for-one stock split, which came a day after its stock hit a new high of $62.75 a share. Stockholders approved an increase in the number of authorized shares to accommodate the split, to be paid July 10 to shareholders of record as of June 19.

Department of Transportation secretary Elizabeth Dole appeared at the meeting and lauded Walton as "an entrepreneur of heroic stature," from whom the federal gov-

(Continued on page 37)

Chairman Sam Walton (standing) leads rousing annual meeting at which he predicted Wal-Mart sales would top $19 billion next year. Seated at right is David Glass, president and ceo.

Eyes $1 Billion in Sales from Show

HSN Turns On TV Shopping Game

By Arthur Markowitz

CLEARWATER, Fla. — The Home Shopping Network this week launched The Home Shopping Game show on about 70 broadcast TV stations as the teleshopper's latest video marketing diversification.

HSN executives have forecast the daily half-hour taped program will produce $800 million to $1 billion in sales during its first full year of operation.

In September, HSN is scheduled to start the Home Shopping Overnight Service on broadcast TV stations in the early morning time period, generally between midnight and 7 a.m., when commercial stations usually don't air any programs.

This show in a full year of operation could generate as much as three percent of HSN's sales, a source said. President Lowell Paxson has projected total company sales (from teleshopping, financial services and direct marketing operations) this year at between $650 million and $700 million (compared to sales of $160.2 million in HSN's start-

(Continued on page 13)

CD Restructures; Will Expand U.S. Division

REXDALE, Ontario — Consumers Distributing (Canada) is looking for "a good business manager" to head up its United States division as well as carry out a major new marketing program to revitalize the 89-store chain.

Henri Roy

Maurice Tousson

Fred Delsey

CD (Canada)'s search for a president for its U.S. operation is part of the parent company's restructuring into three distinct businesses—a Canadian catalog operation, a Canadian toy specialty store chain and the U.S. division.

Concurrent with CD (Canada)'s reorganization, Michael Haberman resigned as that company's president and chief operating officer. Chairman and chief executive officer Henri A. Roy has assumed the post of president.

Roy continues as an executive vice president of Provigo, a Montreal-based food distributor that owns about a 46 percent voting interest in the cataloger and controls the company.

As part of the restructuring, CD (Canada) executive vp Maurice Tousson was also named president of the Canadian catalog division, while Fred Delsey was promoted to president

(Continued on page 37)

New Crazy Eddie Bidder Plans Extensive Revamp

By Josephine Fiamingo

EDISON, N.J. — Crazy Eddie, the consumer electronics retailer based here, announced that a special committee of outside directors will consider and evaluate a new bid to acquire the 36-store chain by a Texas-based firm.

The committee of outside directors was formed last month when Eddie Antar, the company's founder, and a company controlled by the Belzberg family of Canada proposed to buy the East Coast CE chain for $7 per share.

On June 1, Entertainment Marketing, a Houston-based diversified teleretailer and electronics wholesaler that is currently expanding its teleshopping coverage (see story, page 3), offered to buy Crazy Eddie for $8 per share.

Antar, because of his ties to the chain he created, should

(Continued on page 37)

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MARKETWATCH

K mart to Provide Mortgage Loans

TROY, Mich. — K mart, the giant discounter headquartered here, continues to expand its financial services offerings. Its latest move is an agreement with Primamerica Corp.'s Berg Enterprises Inc. division to provide home mortgage lending services at six Denver-based stores. Shoppers fill out a financial information questionnaire which is then analyzed by a computer to determine the type and size mortgage loan for which the customer is qualified.

Zayre Will Accept Joint Discover Card

FRAMINGHAM, Mass. — Zayre has signed an agreement to accept the Discover Card, a revolving-credit card owned by Sears/Dean Witter. Zayre will accept the card at all of its subsidiaries except BJs Wholesale Clubs, which doesn't accept any credit cards. Zayre chairman Malcolm Sherman noted that the Discover Card has "demonstrated consumer acceptance." According to Discover, its card "provides consumers with a revolving line of credit, a savings account paying money market interest rates, and a Cashback Bonus each time the card is used."

Jamesway Sets Sights on $700M Sales

SECAUCUS, N.J.— Jamesway Corp. is targeting sales for the current fiscal year ending Jan. 30, 1988, at a record $700 million, Herbert Fisher, chairman, said at the retailer's recent annual meeting. Last fiscal year's sales were a record $612 million. Fisher also said the company would open a total of 15 stores this year, the largest number of openings ever for the company. In 1988, Jamesway is scheduled to add another 15 units. The company also said that shareholders approved an amendment to the restated certificate of incorporation, increasing the company's authorized number of common shares to 30 million from 20 million.

Sears Buys Specialty Eye Care Centers

CHICAGO — Sears has made the first move in its recently announced strategy of acquiring new specialty retailers. The company announced plans to acquire San Antonio-based Eye Care Centers of America, which operates a 41-store chain of "optical superstores" under the names Eye Pro Express, 20/20 Eyecare and Eye Masters, mainly in the Southwest. Under the agreement, which must be ratified by Eye Care Center stockholders, current ceo Jack Gunion will continue in his post and report to Sears specialty merchandising president Alfred Goldstein.

Tower Cancels Its Fall Housewares Show

ATLANTIC CITY, N.J. — Tower Conference Management has canceled its Fall Housewares Show scheduled for Sept. 27 to 30 here. The absence of Tower Conference which, like The Interface Group, had pursued the housewares show opportunity that was created after the National Housewares Manufacturers Association's initial decision to switch to a single show format—establishes HouseWorld Expo and the NHMA show as the sole contendors for the trade show audience.

Woolworth to Test New 'Express' stores

NEW YORK — F.W. Woolworth Co., based here, will soon begin testing a new, smaller store, to be called Woolworth Express. Woolworth officials would provide no further information at presstime, but sources indicate the test will be somewhere in the New England area and that a number of Woolworth Express units could be in operation before the end of the year. The new store is expected to carry a more focused selection of lines already found at current Woolworth stores, with an emphasis on hard lines.

FOR THE RECORD

Maxway Corp. is based in Sanford, N.C. An article in *DSN's* May 25 issue incorrectly identified the headquarters city as Sanford, Ga.

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Trintex Interactive Videotex Service Will Feature Magazine-Type Format

By Arthur Markowitz

WHITE PLAINS, N.Y. — Trintex has begun to lift the curtain on its long-awaited computer videotex service that has been touted as ushering in a new era in direct marketing and home shopping.

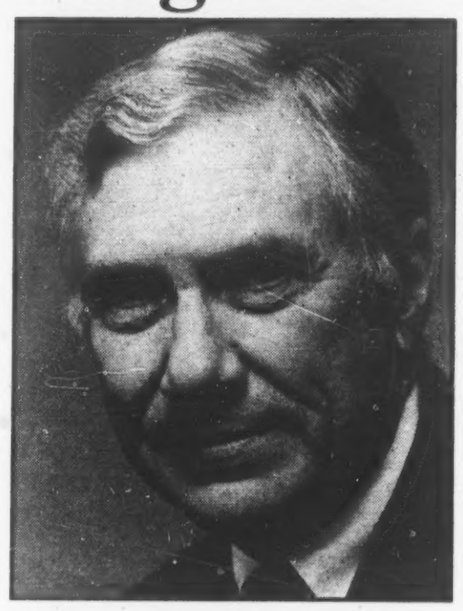
Trintex's technology uses a computer and telephone to provide consumers with interactive videotex in a magazine-type format that bundles at-home shopping and services like banking and travel reservations with news updates, financial reports, health and fitness features and entertainment like games, puzzles, cartoons and movie reviews.

Trintex can function only on IBM, IBM-compatibles, Apple and other high-powered computers with 512K capability that are tied into a 1200 baud modem. Trade observers question the current size of this specific market and the number of consumers willing to purchase this equipment.

Harry E. Smith, Trintex vice president, product and commercial development, who presented "peeks" at the service in three separate presentations, asserted, "Trintex will establish the home once and for all as the shopping center without peer. For many categories of merchandise, we think it will become the shopping medium of choice."

He added: "Trintex lets you buy what you want when you want to buy it; it's very personal, focused and totally user controlled."

Trintex is a four-year-old joint venture of IBM and Sears involving 500 people that has already cost the partners an estimated $450 million. IBM views the service as helping to transform home computers into everyday utilitarian devices. Sears' involvement reflects the retailer's interest in all forms of marketing, particularly cutting edge technologies like computers and teleshopping.



Harry E. Smith, vp, supplied 'peeks' at new Trintex service.

Trintex's charges will be modeled on magazines, "which are supported by both subscribers and advertisers."

Smith said shoppers will be charged a low monthly fee.

Advertisers, in turn, will be charged a flat fee for actual sales to shoppers, not for consumers browsing through a listing. "We can measure actual responses, measure those who see the ads and track orders; our prices will be charges for actual value."

Smith said that due to Trintex's interactive videotex technology, direct marketing merchants and manufacturers—rather than traditional store retailers—would be the first users of the service when it's launched in early 1988.

(Continued on page 38)

Simple, Interactive Steps Facilitate Use of Trintex

WHITE PLAINS, N.Y. — Here's how Trintex will work:

Consumers first have to sign up for the videotex service, providing demographic information—which will be kept confidential and used just by Trintex—and receiving a specific diskette for their computer and the 800 phone number for their area.

After logging on the system, the viewer can either peruse Trintex's editorial matter or go shopping by accessing a merchant's advertising or a consumer service.

A screen of editorial matter will have a short ad at the bottom that often relates to the subject, such as a fitness update with a retailer's ad for exercise equipment.

Viewers can continue to peruse the editorial matter—which encompasses a majority of the screen—and never access ads before signing off, or, attracted by the ad, they can access that company's specific full-screen message.

Viewers can also go shopping through various gateways: call up a company by name, key in a broad merchan-

(Continued on page 38)

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—6/22,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Answers to questions below appear somewhere else in this issue.*

25 Years Ago This Week:

Like, Way Out Daddy-O: Discounters were "heavy in bongo records . . . and polkas" but light in classical music, according to a *DSN* roundup.

Gee Mr. Science III: Montreal discounter Mon-Mart installed a moving sidewalk to carry customers from the parking lot to the shopping floor. Total distance covered: 70 feet, roughly the distance from first to second base in softball.

1. What retailer broke into discounting with its first soon-to-be household name store, in Columbus, Ohio?
a) W.T. Grant, with DisKay;
b) Kresge, with K mart;
c) Woolworth, with Woolco.

20 Years Ago This Week:

Curse You, Mary Quant: Along with the Vietnam War, miniskirts took heat from discounters for contributing to soft 1967 sales. "Too far out," one executive intoned.

Back to the '50s: Hula Hoops were making a comeback, with Zayre's eight Miami stores stocking 20,000 of the sophist cated exercise devices.

2. Nichols Discount City was the first discounter to eliminate this formerly "indispensable" CE department service.
a) Audio Listening Rooms;
b) TV Viewing Rooms;
c) Air Guitar Rooms.

10 Years Ago This Week:

Where Else?: Alexander's received a free banner headline on the front page of a New York daily newspaper reading "Alexander's springs into summer • pages 16 to 23" as a freebie for buying an 8-page advertising spread. The paper was the *New York Post.*

3. Buyers in what area were the industry's best paid at an average of $33,280?
a) Dresses;
b) Hardware;
c) Men's Wear.

5 Years Ago This Week:

Disc-Ounting: Buyers complained that demand for Kodak's new disc camera far outstripped supply.

4. The closing of what chain caused "upheaval" in Southern California discounting?
a)FedMart;
b)Gemco;
c)White Front.

1 Year Ago This Week:

You Stick to Selling; We'll Do the Writing. O.K.? K mart went national with its magazine, *American Lifestyles.*

5. What warehouse club violated an unwritten rule by adopting an "open door" policy for group members?
a) American Wholesale;
b) Saveco;
c) Price Club..

Home Products

NHMA Study Shows Flat Sales; Prices to Climb

CHICAGO — Despite nearly flat sales indicative of a maturing industry, many housewares manufacturers reported they expect to raise prices this year, according to the National Housewares Manufacturers Association's annual study of the housewares industry.

On average, prices are expected to rise by 6.5 percent in 1987, with the largest percentage of suppliers, 20 percent, anticipating increases at the 5 percent level, according to the study conducted by B. Angell & Associates for the NHMA. Price increases averaged 6.1 percent in 1986, when about a third of manufacturers reported higher prices. More than half of those surveyed expect price increases in 1987.

Declining Dollar is a Factor

Forty-four percent of respondents to the survey cited the declining dollar as a factor in the rising prices of their goods. The cost of materials, overhead, labor, inflation and, to a lesser extent, higher freight costs were also mentioned as contributing factors to the decision to raise prices.

Overall, housewares industry sales were up 1.9 percent to $23.6 billion last year, a figure below 1984's volume level. In real dollars—subtracting the impact of a 1.1 percent inflation rate—sales grew by only 0.8 percent. About $20.5 billion of the total industry sales were through retail outlets last year, according to the survey by the Chicago-based research firm.

The higher manufacturers' prices may be offset somewhat by suppliers' growing tendency to sell directly to retailers. Nearly nine out of 10 vendors in the survey said they sold directly to retailers rather than through distributors. In contrast, 20 years ago, more than half of the total housewares business was handled by wholesalers.

Discounters and mass merchandisers, among the retailers fueling this direct-sell trend, continue to command the major share of the housewares marketplace. The mass merchandisers' share rose 3 percentage points last year to 35 percent of industry business—broadening the gap between that retail channel and all others.

Retail housewares sales by mass merchandisers grew to $7.2 billion last year, up from $6.1 billion in 1985.

In specific product categories, mass merchandisers were dominant. These outlets generated 41 percent of furniture dollars, 62 percent of plasticware and 47 percent of outdoor products, according to the survey.

Catalog showrooms returned to their historic third place ranking under department stores due to a drop of 5 percentage points in market share and an accompanying 1 percentage point gain by department stores. Department stores garnered 11 percent of all retail housewares business, while catalogers captured 7 percent of that total. In dollars, department stores generated $2.3 billion from housewares categories, up from $1.9 billion the previous year. Catalog showrooms' volume fell from $2.3 billion in 1985 to $1.4 billion last year.

Housewares/hardware stores rang up 5 percent of the business, while drug stores and variety stores each registered 4 percent market share figures. Home centers were next with a 3 percent share of the market.

Membership warehouse clubs were listed for the first time among retail outlets tracked by the housewares association. These units garnered 2 percent of retail housewares business for a total of about $410 million.

While overall sales have not skyrocketed for manufacturers, the percentage of the business handled by larger companies continues to rise. Manufacturers doing over $5 million worth of business increased their share of the total to nearly 40 percent, from about 12 percent in 1966. In contrast, companies under $1 million have seen their share of the market decline from about 45 percent in 1966 to less than 25 percent last year.

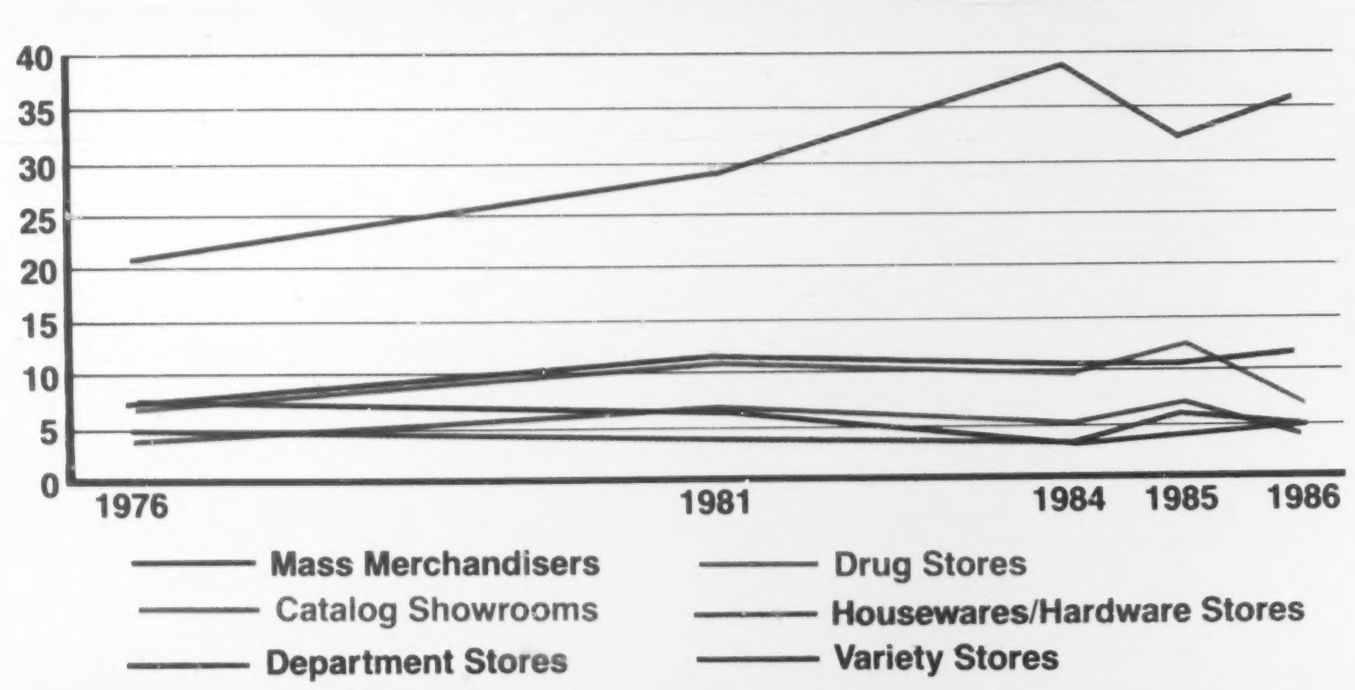
In colors, white, blue, pastel and mauve were the top sellers in 1986 in both the decorative accessories and bath accessories categories. White and blue were tops in kitchen accessories and serving/buffet accessories while white dominated the color preferences in kitchen appliances, closet and outdoor accessories.

Looking at the future color trends that will drive sales in this industry, manufacturers see white losing popularity in most areas. While white continued to be the leading color in every category by a large margin in 1986, it is not expected to sell as well next year, according to manufacturers. For example, white's popularity is expected to decline from 26 percent of sales to 20 percent next year in decorative accessories and from 64 percent to 54 percent in closet accessories.

In general, the report cites pastels, mauve and

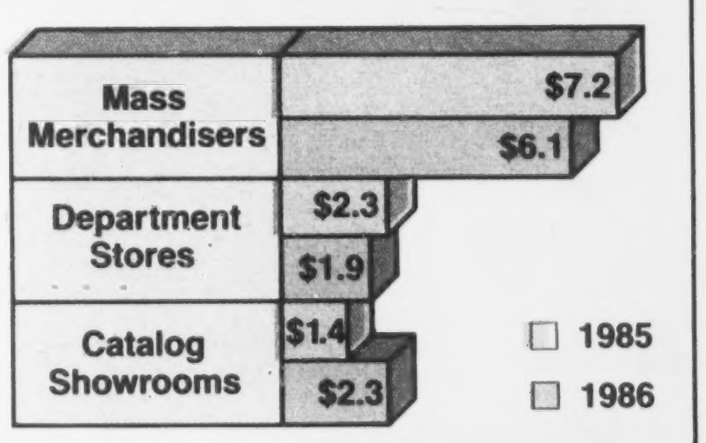
(Continued on page 21)

Mass Merchandisers' Share of Housewares Sales Continues to Grow
Percent of Total Retail Housewares Dollar Sales



Source: NHMA, 1987

Dollar Volume of Housewares Sales Through Retail Outlets
(In Billions)



Source: NHMA, 1987

MARKETWATCH

MINNEAPOLIS — **Best Buy Company,** the 24-unit consumer electronics retailer based here, is building a new $9 million, 450,000-square-foot warehouse distribution center and service facility in suburban Bloomington. The facility, which is expected to be operational by August, will occupy 10 acres on a 30-acre plot. "We will now have warehouse capacity sufficient to supply up to 80 superstores and will be able to process in one day the number of products it presently takes a week to process," said Richard Schulze, president. The chain plans to build 16 new superstores this year which includes 10 superstores in the state of Missouri. The warehouse features complete environmental control, 24-foot to 30-foot ceilings, 48 dock doors with energy seals, a rail car siding and an automatic product distribution carousel used to divide shipments to individual stores. Currently, the chain's warehouse, distribution and service functions are handled out of its corporate headquarters in Bloomington.

* * *

CITY OF COMMERCE, Calif. — **The Federated Group,** the $430 million CE chain based here, has handed its $20 million-plus advertising account to Pearlman/Wohl/Olshever/Marchese. "Our surveys have indicated that a very large constituency of consumers enjoy, love and are loyal to the tongue-in-cheek good humor of Shadoe Stevens, our spokesman for the last five years. Shadoe Stevens will continue to participate in Federated's ongoing campaigns," said Wilfred Schwartz, chairman and ceo. "Our strategy for our current five-year growth plan calls for a new approach tailored to the interests of a broader market." The company will continue to purchase media through Focus Media Inc. Schwartz said the 65-store CE retailer hopes to create a "singular, compelling image in our advertising, store design, merchandising and pricing."

* * *

WASHINGTON — April sales of camcorders to dealers increased 103 percent to 107,000 units from the 53,000 sold during April 1986, according to the **Electronic Industries Association/Consumer Electronics Group.** Camcorder sales are running more than 50 percent ahead of last year's pace for the first four months of this year, and EIA/CEG predicts that a total of 1.6 million camcorders will be sold during the full calendar year. Color televisions also experienced strong April sales, rising 14 percent to 1.3 million units. The industry is selling color television sets this year at an average rate of 48,000 per day, the association said. On the other hand, black and white televisions, projection TVs and VCRs all registered declines in April sales. Monochrome TV sales slipped nearly 27 percent while projection television sales dropped 18 percent. VCR sales decreased fractionally in April, but continue to run slightly ahead of last year's pace.

Housewares Manufacturers Expect Price Increases in 1987

(Continued from page 19)
slate blue as colors that have increased their mentions from 1985. And these colors are expected to improve even further in 1987.

Pastels are expected to improve from 17 percent of sales to 20 percent next year in decorative accessories, and from 11 percent to 15 percent in bath accessories. Mauve will increase from 11 percent to 14 percent in decorative accessories, and from 5 percent to 10 percent in bath accessories. Blue will experience a rise from 17 percent to 20 percent in decorative accessories; from 13 percent to 18 percent in kitchen accessories; from 14 percent to 17 percent in outdoor products and accessories; and from 10 percent to 14 percent in serving/buffet products and accessories.

The association's study also takes note of demographic changes that have affected the housewares industry, such as:

- The coming of age of the baby boomer generation, resulting in the creation of new households.
- Smaller household sizes, with growth in one-person households.
- More employed females, especially married working women. Women with children are now more likely to be working than staying at home.
- The aging population suggests a move away from youth and a shift to the concerns of the older population.
- Income shifts resulting from the rise of two-income households and increase in one-person, one-income households. These trends, which the report predicted will continue at least through the end of this century, will shrink the middle class.

These trends indicate housewares manufacturers will have to consider the needs of such diverse groups as one-person households, older consumers and working mothers.

1986/87 Housewares Color Preferences by Product Category

Bath Accessories

	Most Popular 1986	Expected for 1987
White	42%	38%
Blue	25	19
Pastel	11	15
Mauve	5	10
Rose	5	7
Peach	5	5
Pink	5	4
Almond	5	2
Slate Blue	2	4

Closet Accessories

	Most Popular 1986	Expected for 1987
White	64%	54%
Pastel	11	13
Blue	8	10
Pink	6	3
Peach	5	6
Gray	5	5
Slate Blue	2	9

Kitchen Appliances

	Most Popular 1986	Expected for 1987
White	68%	68%
Almond	25	19
Black	6	6
Beige	6	5
Gray	3	7

Serving/Buffet Products & Accessories

	Most Popular 1986	Expected for 1987
White	50%	43%
Blue	10	14
Red	9	6
Wood Tones	7	4
Metallic	6	5
Pastel	5	8
Black	5	5
Beige	5	3
Yellow	5	3
Mauve	3	8
Slate Blue	2	6
Gray	2	6

Source: NHMA, 1987

America, get reading.
Read a poem aloud each night before dinner. Read to your kids.
Make all your gifts books.
Subscribe to a magazine you've always wanted. Read the book before you see the movie.
Make sure everyone in your family has a library card.
Make sure they use it.
Experience the power and pleasure of reading.

Use America's libraries.

American Library Association

Sluggish Sales in Texas Contribute To FedGroup's Income Loss for '86

CITY OF COMMERCE, Calif.— Poor sales in oil-dependent Texas contributed to a $5.23 million net income loss for The Federated Group in fiscal 1986.

Unlike some other retailers, the West Coast-based consumer electronics chain said it is not pulling out of Texas, where it runs some 20 CE superstores. Wilfred Schwartz, chairman of the board for the company, told *DSN*, "We have made the decision to continue our operations in Texas."

The company's extensive expansion plan—which took it from 15 stores four years ago to its current 65—"has cost us profitability," according to Schwartz. However, he said the company is not retreating in its effort to make a substantial stand in the CE market.

Schwartz said Federated has "managed to tailor our operations" in Texas, through staff reductions and the closing of some smaller stores.

Federated Group said it has enlisted the financial help of Goldman, Sachs & Co., while also restructuring its $48 million credit line.

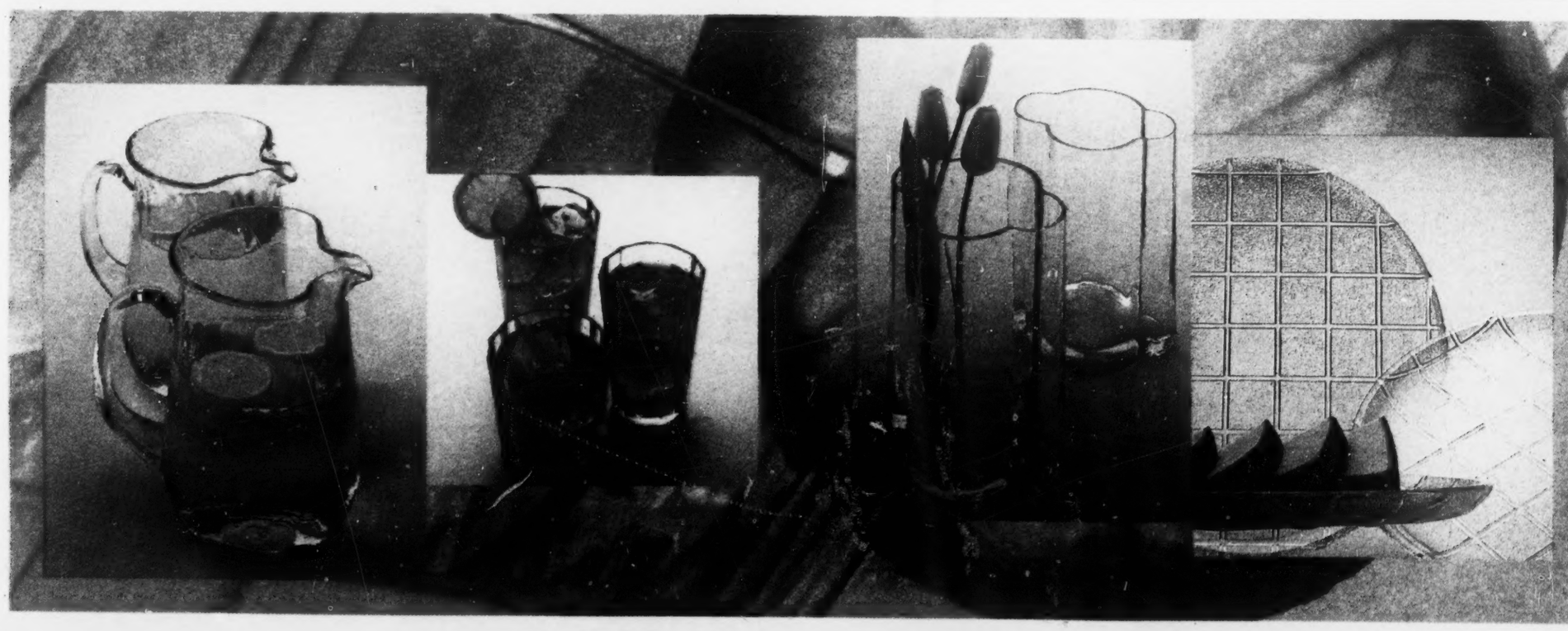
The company's loss for the year ended March 1 followed a net earnings gain of $10.7 million on sales of $364 million the previous year. The company did post 1986 sales of $430 million, and benefited from an $864,000 after tax gain resulting from a change in inventory costing methods.

Results for the recent fourth quarter showed a net income loss of $6.04 million on sales of $136 million, compared to a net income gain of $2.42 million on sales of $123 million for the same period during 1986.

Looking ahead, Schwartz said, "Overall, we expect to achieve a moderate level of profitability in the current year, which together with positive cash flow from operations, will establish a sound base for further growth in the future."

To get in on the hottest new growth category, call 1-800-331-6060 ext.138.

SCHLAGE.



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For a guaranteed return on your investment, count on our National Housewares' Profiles™ assortment of beverage and serveware. The eye-catching yellow accented packaging used throughout the Profiles line ensures the kind of visual impact that leads to frequent add-on sales. The Profiles assortment—the new force in volume glass sales.

NATIONAL HOUSEWARES
A TOWLE® COMPANY

LAWN & GARDEN SUPPLEMENT

Hard Lines

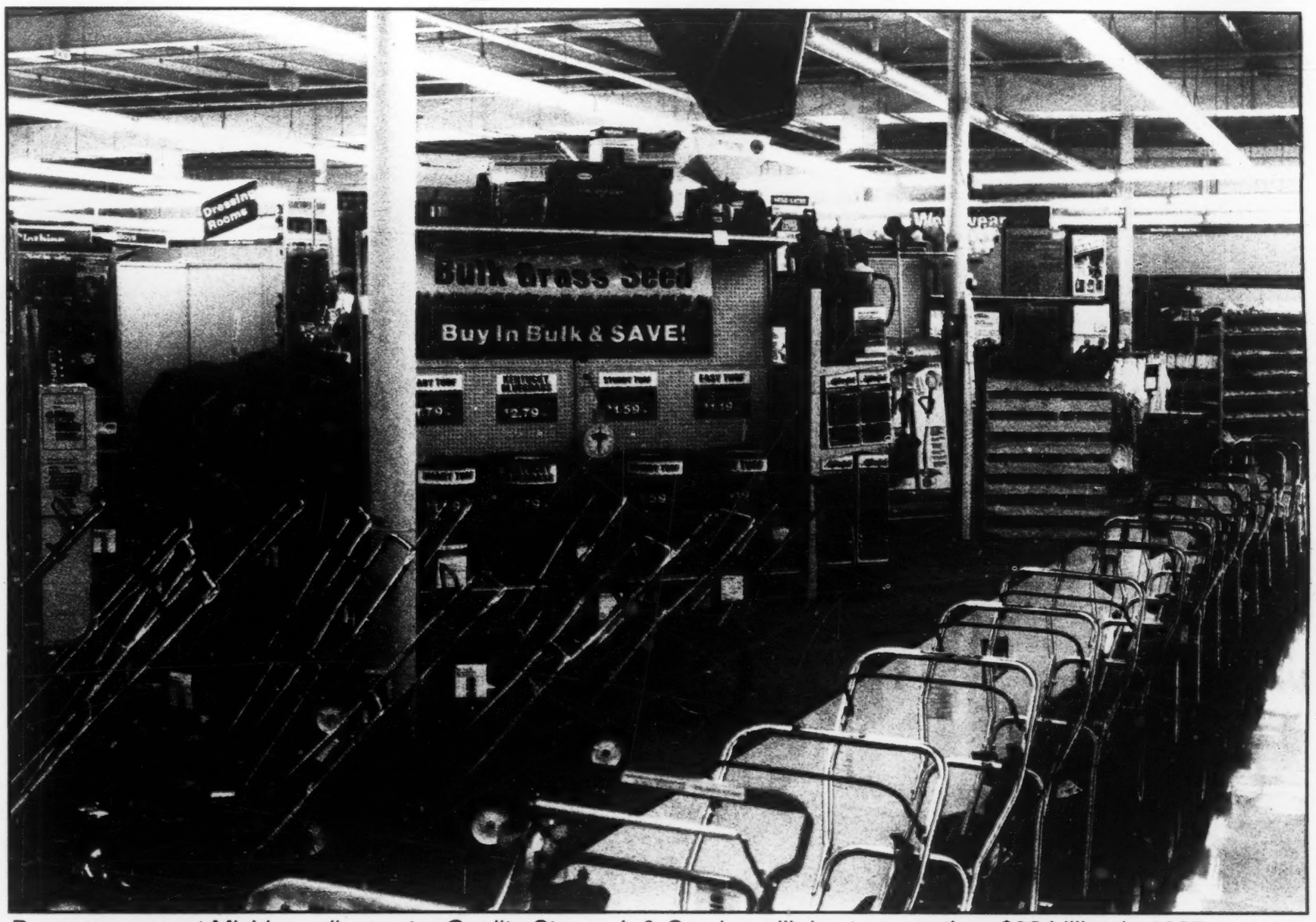
Discounters Rake In Larger Share of L & G Biz

By Richard C. Halverson
Nationwide DSN Report

Sales of lawn & garden products, including outdoor power equipment, lawn furniture and outdoor grills, will grow 10 percent to 15 percent in 1987 from the 1986 total of $29.9 billion, predicted Chuck Greenridge, president of Greenridge & Associates, Evergreen, Colo., an L & G industry consultant.

Moreover, the discounter share of the market is creeping up from its traditional one-third of total L & G, Greenridge said, and should peak at 40 percent over the next 10 years.

In other positive news for retailers of L & G products, trends in consumer purchasing, such as the popularity of ready-to-use formulations and larger sizes in green goods, are resulting in better margins. And, the nation's population is experiencing a surge in the number of consumers in the 30-year-old to 49-year-old bracket, the big-spender segment of L & G consumers that accounts for 44 percent of sales.



Power mowers at Michigan discounter Quality Stores: L & G sales will rise to more than $33 billion in 1987. (DSN photo)

Discounters Impact In L & G

Indicating the growing importance of discounters in L & G, the K mart label in garden chemicals is now the second largest seller in the country, trailing only Ortho, Greenridge said.

According to Greenridge, some major L & G consumer trends that will impact discounters include:

- Gardeners are opting for smaller sized gardens, but increasingly they want larger sizes of nursery stock and expect to see a broader selection of varieties;
- They are dragging their feet on pre-season purchases and instead wait until the weather breaks and plant or apply products the same day they buy;
- Although the gardening season is starting later, it is extending later, sometimes until after Labor Day or even Oct. 1;
- Gardeners are willing to pay more for ready-to-use formulations, such as liquid fertilizers, over dry fertilizers, and for convenience packaging, such as liquid lawn fertilizer that is available in a spray applicator that screws onto a hose nozzle.

The implications for discounters are obvious, Greenridge said: They should pay attention to smaller and more convenient packaging, consider carrying a broader assortment of green goods, including larger sizes, and keep L & G departments open until at least after Labor Day, instead of breaking them down in July (as some discounters do).

Sales of green goods at retail will total $8 billion in 1987, Greenridge estimated, which compares to the $7.5 billion in 1986.

Margins on green goods are the highest of any segment of L & G, and retailers can squeeze 5 percent to 20 percent higher margins if they capitalize on the trend of gardeners to size up to, for example, a 10-foot tall tree from a 3-foot tall tree, Greenridge said.

Turns are, of course, essential in perishable green goods. However, proper promotion, display and assortment can ensure that stock moves promptly, Greenridge said.

The success of green goods determines the success of the rest of the L & G department, he emphasized.

The results from early, pre-season sales have fallen dramatically, Greenridge said. The days when one supplier like Scott could drive the market with promotions and advertising are gone, he said. "Customers now wait until the weather breaks and the bugs start biting before they buy. Then they go home and plant the same day."

In addition, "Ready to use formulations, although not the cheapest, are here to stay," Greenridge said. Retailers enjoy better margins on what essentially are "watered down" products, he stressed.

Lawn furniture represents an important growth category, Greenridge said, predicting a 12 percent to 16 percent gain over the 1986 total of $2.2 billion.

Bruce Butterfield, research director of the National Gardening Association, Burlington, Vt., said retailers also stand to benefit from a population bulge in the key 30-year-old to 49-year-old bracket.

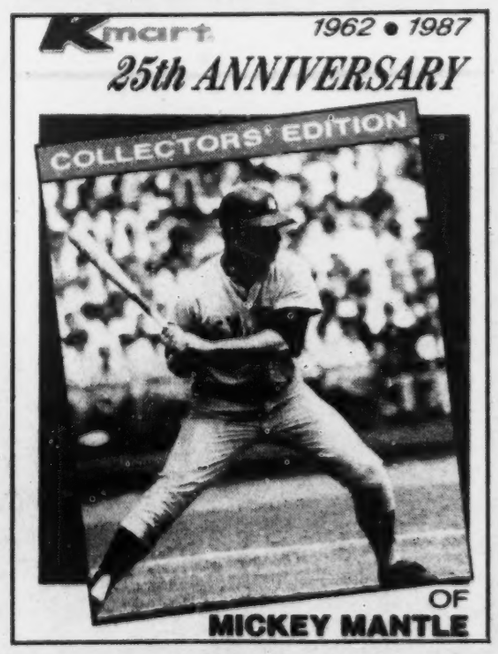
The first baby boomers turn 40 next year, and those in that age bracket are in their prime home acquisition years, Butterfield said, and account for almost half of all L & G sales. Those age 50 and older account for 33 percent of sales, he added, while those 18 to 29 account for the balance of 23 percent of sales.

"Customers in that age bracket are better educated and more affluent," Butterfield said. "They expect value for the price," he emphasized.

"Lawn and garden can be a very profitable, seasonal department," he said, "but quality has to be there." He added that the green goods can be ev-

(Continued on page 25)

MARKETWATCH



TROY, Mich. — **K mart** is seeing stars on its silver anniversary. The nation's No. 1 discounter has continued its 25th Anniversary celebration with the release of a "Stars of the Decades" baseball card set which features prominent baseball players from the last 25 years. Divided equally into stars of the '60s, '70s and '80s, the 33-card set features such luminaries as Hank Aaron, Mickey Mantle, Dwight Gooden, Wade Boggs, Willie Mays, Reggie Jackson and Dale Murphy. According to K mart, about 900,000 of the sets, which sell for $1.97 each in all K mart stores, were printed. The company expects to sell out the card sets by the end of the summer. A company spokesman said that the company has no plans to reissue the set, or to print a second series, "at this time." Steve Ellingboe, editor of Sports Collector's Digest, a well-known weekly hobby publication, commented that while the set was selling for "$4 or $5" within the hobby, there was little or no speculation on the sets. Apparently collectors hoarded a previous K mart set that was "burned when a second printing was issued. Sets were going for as little as 10 cents," Ellingboe said. The set is printed by Topps, the leading producer of sports cards in the country. The set is but one of "at least a dozen" special sets released by various retailers throughout the country. Other retailers selling the sets include F.W. Woolworth and McCrory's.

WAREHAM, Mass. — **Tons of Toys** has signed leases for new toy supermarkets in Milford, Watertown and Webster, Mass., which will bring its chainwide total to nine stores. The company also announced that it is negotiating for three additional store sites in Auburn, Me., Concord, N.H., and Marlboro, Mass. Within two years, Tons of Toys expects to be operating 15 toy supermarkets in New England, selling brand name toys, wheel goods, juvenile products and baby needs products. The chain, which operates in Massachusetts and Rhode Island, is using capital from an initial public offering in May to fund the expansion, said chairman and president Bruno R. Ferretti.

Chain Refocuses on Hard Lines to Thrive in Farm States

(Continued from page 3)

years, Hilt said. He said he is "very pleased with the continued increase in profitability of the company" following the 1986 repositioning. Without releasing any details, Hilt said "margins are stronger and expenses are reduced."

Because of the reduction in product lines, sales fell to $148.8 million in 1986, Hilt said. *DSN* estimated Quality's sales at about $160 million in its 1985 annual report on the discount store industry.

James Davis, director of marketing, predicted, however, that in 1987 sales will gain 8 percent to $157 million, with same store sales increasing 6.5 percent. He said that sales per square foot last year averaged $186 in Quality's Michigan, Indiana and Ohio markets.

Quality's Operations

Quality Stores operates 39 full-line stores and three smaller, experimental units, called Nothin' Fancy stores. Full-line stores range from 14,000 square feet to 30,000 square feet, with an average of 24,000 square feet, while the Nothin' Fancy units are about 10,000 square feet.

The chain opened one full-line store this spring in Walker, Mich., a suburb of Grand Rapids, and a downsized unit in Bluffton, Ind. It expects to open another of each type by the end of the year but hasn't yet settled on locations. A 235,000-square-foot distribution center in Findlay, Ohio supplies the three-state operation.

Hilt describes the Nothin' Fancy test units as hard lines convenience stores, geared toward the male do-it-yourselfer. They carry no apparel, consumables, sporting goods or toys.

All growth will be financed through internal profits and controlled debt, Hilt said. His chain's debt-equity ratio is "good and improving," Hilt said. "We have no plans at all to go public."

In addition, Quality is installing a new $2 million IBM point-of-sale system that will permit stores to look up promotion prices, eliminating the need to re-price promotional goods, approve credit online and communicate with headquarters on such matters as the status of shipments. Hooked to the chain's mainframe IBM computers, the interactive POS system is expected to go online this September, starting with Quality's flagship store in Muskegon which is near the company headquarters.

To support its new thrust, last year Quality Stores began a $1 million, 30-second spot television campaign in seven major markets, including Grand Rapids, Dayton and South Bend, Ind. In addition to the campaign, the company airs a series of 60-second radio spots and puts out two to four circulars a month, totaling 1.6 million inserts a year.

The chain conducts 8,000 exit interviews every six months to stay in tune with its customers. The tag line on both broadcast and print advertising and in-store signs is, "You Work Too Hard to Pay too Much."

Along with price and quality, service is an important part of the value Quality Stores offers, he said. "Our employees really do care," said Hilt, whose retired father and uncle founded the company and remain on its board of directors.

Helpful Store Managers

Visits to three Quality Stores show that even store managers drop everything to help customers find what they're looking for and explain how to use it.

Product knowledge is an important factor in merit raises, said Ken Vugteveen, a senior salesperson at the store in Hudsonville, where the chain got its start in a 4,000-square-foot converted service station

Hilt noted that the stores take special orders for agricultural products (such as plow shares and rake teeth), as well as automotive products (such as exhaust pipes and mufflers) and major overhauling of power lawn mowers.

To improve relations between vendors and sales staff, Quality Stores this month is putting on a product and information show that will bring 1,000 of its salespeople in touch with 170 vendors over two days. The chain's own audio visual studio produces more than 50 videotapes a year for training 1,400 employees.

Customer surveys show that male customers outnumber females two-to-one, Hilt said, compared to perhaps a one-to-one ratio at K mart. "The male customer expects different service."

David Bliss, Quality president, said the "real strength of the organization revolves around its service orientation." The chain's C.A.R.E. program (Customers Always Require Excellence) is "an integral part of the company," Bliss said.

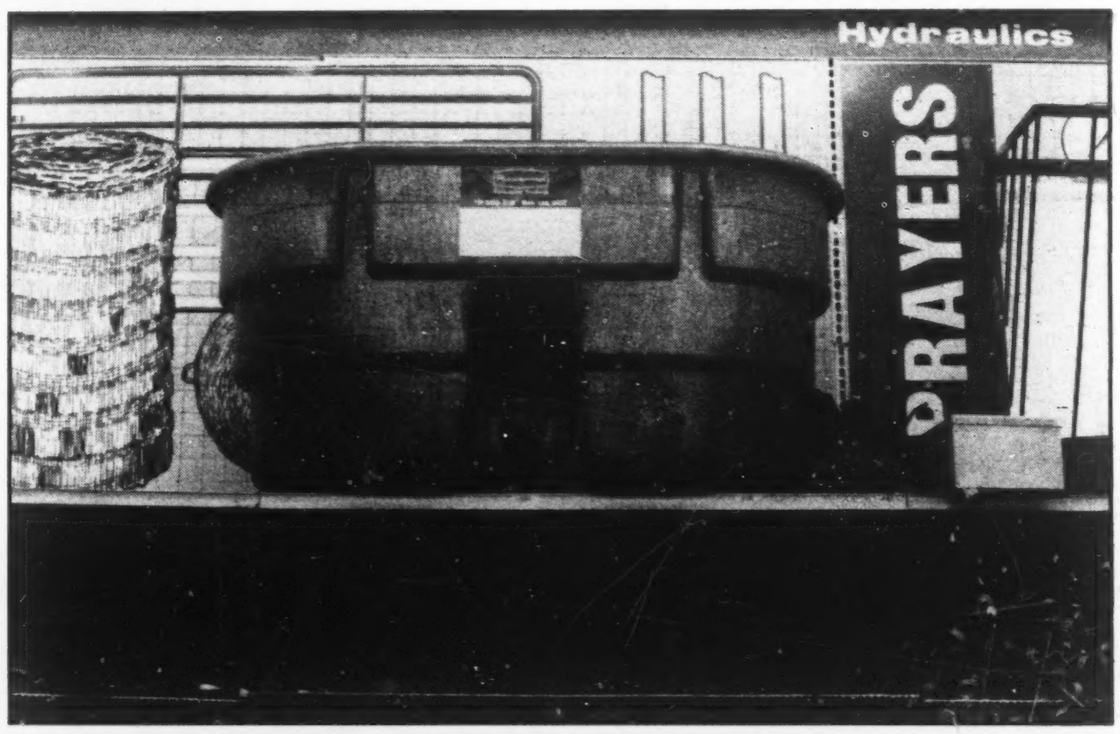
The C.A.R.E. plan requires employees to pledge to: "greet all customers; offer assistance; know my store; keep a clean store; never say no; and always say thank you."

Quality Stores has just wrapped up a two-month-long series of events to celebrate its 25th anniversary, marketing director Davis said.

These included sweepstakes at each store offering $25 gift certificates as prizes and community events that individual stores sponsored, such as a pig roast at the Walker store, the latest to open, to benefit the local chapter of Future Farmers of America.

In another promotion, Quality ordered 50,000 25th anniversary baseball-style caps, Davis said, and is offering them for sale at $2.99 each. For each Quality Store cap sold, the chain will donate $1 to one of four organizations the customer may chose: 4-H, FFA, the American Cancer Society or the American Heart Association, Davis said.

Farm and home fencing is one of the most popular farm department lines at Quality Farm & Fleet, Hudsonville, Mich., where the chain began. (DSN photos)



Rubbermaid at Quality Farm & Fleet, Hudsonville, Mich., means this 100-gal. stock watering tank, $79.95, displayed above bins of farm implement parts.

Lawn and Garden Retail Sales: 1983-1986
(In Millions)

Category	1983	1984	1985	1986
Lawn Care	3,604	4,347	3,898	4,317
Landscaping	1,678	2,171	2,125	2,176
Flower Gardening	1,383	1,702	1,259	1,519
Vegetable Gardening	1,042	1,123	950	1,363
Insect Control	720	975	653	992
Tree Care	844	832	795	845
Indoor Houseplants	749	833	706	826
Shrub Care	748	981	699	659
Flower Bulbs	318	380	275	431
Fruit Trees	381	454	271	382
Container Gardening	*	*	*	310
Raising Transplants	146	197	208	131
Ornamental Gardening	199	270	146	166
Growing Berries	113	89	41	50
Herb Gardening	*	*	*	39
Totals	11,925	14,243	12,026	14,206

*New Category, previous years unavailable

Source: 1986-87 National Gardening Survey, National Gardening Association

Discounters Rake In Larger Portion of L&G Business

(Continued from page 23)

ery bit as good as those that independent nurseries offer.

Butterfield recently released his association's 1986-87 survey that shows that gardening remains America's most popular outdoor activity. Conducted by the Gallup organization, the survey found that 69 million households, or 78 percent, participated in some form of gardening last year.

Americans spent $14.2 billion for gardening products in 1986 (excluding outdoor power equipment, lawn furniture and barbeque grills), an 18 percent increase over $12 billion in 1985. The largest category was lawn care; $4.3 billion (see chart). The complete report is available from the association at 180 Flynn Ave., Burlington, Vt. 05401.

Butterfield declined to project 1987 sales because projections of these types of products usually prove to be inaccurate.

For outdoor power equipment, Wharton (formerly Chase) Econometrics, Bala Cynwyd, Pa., projected continued strong shipments in the 1987 model year ending Aug. 31. In a March 1987 update for the Outdoor Power Equipment Institute, Wharton predicted: a 2.1 percent gain in walk-behind shipments this year; a 6.4 percent increase in front engine mowers; a 1 percent to 2 percent gain in garden tractors and rear engine mowers; and a 2 percent dip in rotary tillers, compared to the 14 percent slump in 1986.

Looking ahead to 1988, Wharton expects shipments to weaken slightly but still remain close to 1986 levels. It projects shipments of close to 5.4 million walk-behind mowers; more than 1 million riding units; and 280,000 to 300,000 rotary tillers.

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Fred Meyer Woos Wall St.; Unveils Growth Plan

By Richard C. Halverson

NEW YORK — For the first time since going public last October, top officials of Fred Meyer Inc., Portland, Ore., faced the financial community and press last month, revealing the strong sales growth of the chain during its five-year "quiet" period as a private company and bearing news of good first quarter sales and profit figures.

During a presentation to institutional investors, such as Cigna, John Hancock and the Fidelity mutual fund group—and in an exclusive interview with *DSN* afterward—chairman and chief executive officer Oran Robertson acknowledged that his purpose in coming was to bolster Wall Street support for his company's stock. Fred Meyer went public at $14.25, and has since ranged between a low of $13 and a high of $17. It closed June 18 at $15.50, down 13 cents.

Fred Meyer chairman Oran Robertson (left) and president Cyril Green met investors last month. (DSN photos)

First quarter sales increased 9 percent to $527 million from $483.4 million in the same quarter of 1986. Net profits rose 80.4 percent to $5 million from $2.8 million in the year-earlier period.

Per share earnings for the quarter rose to 20 cents a share on 24.4 million shares outstanding from 15 cents, based on 18.5 million shares outstanding in the year-ago period, president Cyril Green told the potential investors. The difference in shares outstanding represents the number of shares issued in going public.

The original group of investors that took Fred Meyer private in 1981 retain 60 percent, said chief financial officer Kenneth Thrasher.

Sales for the year ended Jan. 31, 1987, rose 6.6 percent to $1.69 billion from $1.58 billion in the previous year, while net income increased 11.2 percent

(Continued on page 8)

Wal-Mart Hypermarkets Propel Chain Into Food

BENTONVILLE, Ark. — Wal-Mart will plunge into the supermarket business later this year when it unveils two different types of hypermarkets, a concept that could "revolutionize the discount industry."

The discounter will be purchasing a broad assortment of supermarket items for the two new types of hypermarkets, the first time the chain has become extensively involved in merchandising groceries.

One type of store, operating under the Hypermart USA logo, is a joint venture with Cullum Cos. It will follow the traditional hypermarket concept of a huge one-stop shopping center that features a combined general merchandise and supermarket store as the core unit, along with noncompeting specialty retailers like fast food restaurants, a shoe repair shop, a video rental store, an optical shop, a

(Continued on page 33)

Carrefour to Launch Hypermarkets As 2 U.S. Firms Ready Versions

By Arthur Markowitz

SECAUCUS, N.J. — Carrefour, the French hypermarket pioneer, will finally test its 20-year-old concept in the United States just as two American companies are poised to roll out a number of these combined supermarket/general merchandise store mini-malls.

News Analysis

Carrefour, the $8.6 billion international retailer that operates over 100 hypermarkets in four countries, planned to enter the U.S. market with two stores this year (see *DSN*, Nov. 10, 1986, page 1), but ran into a zoning setback. Instead it will only launch one unit this fall in Philadephia, with the second due next year in the Brookhaven, Long Island, suburb of New York.

Executives said the two proposed company-owned stores should help answer the question of "whether hypermarkets can capture a significant share of the U.S. market and make an impact as a new retailing concept or turn out to be just a phase that American merchants can forget."

Carrefour USA president and chief executive officer Girard de Ganay said the Philadelphia store would be a good test because the unit's Northeast market meets the hypermarket's demographic criteria of high population density, middle- and upper-income consumers as well as easy shopping accessibility through an extensive network of roads.

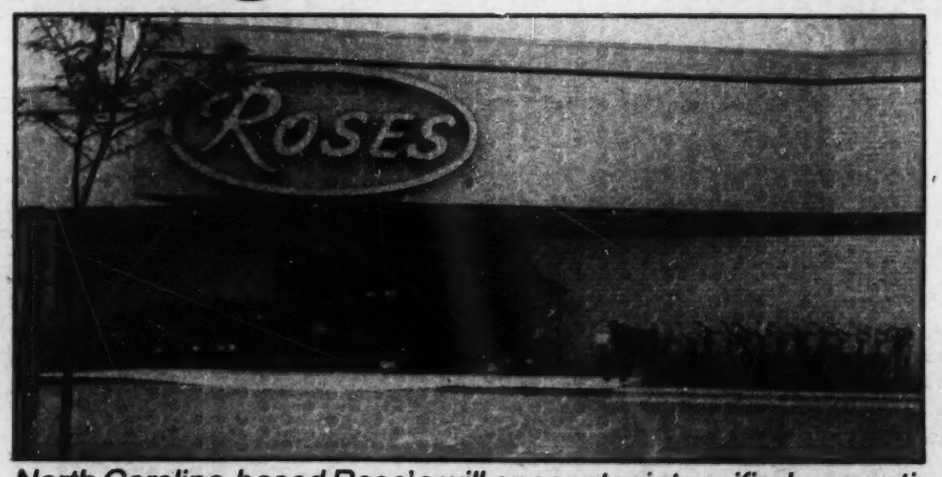
"We should know within a year . . . whether Carrefour's

(Continued on page 33)

Wal-Mart, Bradlees Add Stores

Chains Expanding in No. Carolina

GREENSBORO, N.C. — North Carolina economists see their state in terms of two economies existing side by side. One is geared toward rural, small-town America with factories such as textile and furniture facilities bolstering farm income. The other is a service economy, geared toward urban Yuppidom and sustained by finance, government, and research and development.



North Carolina-based Rose's will encounter intensified competition from Wal-Mart and Bradlees in its home state. (DSN photo)

Major discount chains are thrusting into both economies with distinctive expansion patterns. As customary, Wal-Mart Stores, Bentonville, Ark., is targeting small-town America as it prepares to open the rest of nine new stores in the state, adding to the three units it had at the start of 1987. Next year, it plans to open 12 more in the state.

The North Carolina stores are part of about 125 stores Wal-Mart intends to add this year to its 1,035 total, followed by a similar number in 1988.

(Continued on page 34)

Zayre's Sherman Resigns; Weighs Political Future

By Peter Hisey

FRAMINGHAM, Mass. — Saying "I haven't enjoyed the last year as much" as the previous 20, Malcolm Sherman resigned as chairman of the Zayre Stores division of Zayre Corp. last week. Sherman told *DSN* he may be headed to the presidential campaign of Massachusetts governor Michael Dukakis, for whom he already works as a fundraiser.

Malcolm Sherman

"I've worked for Mike in the past, and there's a possibility I might join the campaign," Sherman said, adding that any decision was "a couple of months away."

Fiscal 1986 saw Zayre's earnings tumble to $89 million from a 1985 level of $94.6 million, in a year when many of the company's competitors were reporting record profits.

(Continued on page 4)

NBO Focuses On Upscale Market

Caldor Repositions RTA Furniture

Automotive Chains Upgrade POS Systems

MARKETWATCH

Luria Supplies Network Shopping Show

LOS ANGELES — The ABC-TV network will launch a daily half-hour game and teleshopping show today that uses cataloger L. Luria & Son as the exclusive supplier of goods. The program, "Bargain Hunters," will be aired from 11:30 a.m. to noon (EST) for 13 weeks by most of the network's affiliated stations. Luria will supply goods purchased just for the show, although the cataloger won't be identified in any way with the program.

K mart Expands Computerized Layaways

TROY, Mich. — K mart plans to spend over $5 million to install its computerized layaway service in the approximately 1,500 discount stores that don't already have this system. Installation of the Fujitsu Systems of America equipment, which monitors goods on layaway along with customer payments, which begin within three months, is scheduled to be completed next year. In other news at the nation's largest discounter, Railroad Saving and Loan Association next week will take over the 136-square-foot leased financial service centers in four Wichita, Kan., K marts previously operated by Franklin Savings.

Caldor Starts Senior Discount Card Plan

NORWALK, Conn. — Caldor launched an extended senior citizen discount program chainwide this month to make age identification faster and hopefully boost sales, a company spokesperson said. Advertising was placed in about 100 newspapers throughout Caldor's 9-state trading area. Customers, aged 62 years or older, will be issued a reusable Caldor senior citizen card which can be used on all merchandise each Wednesday to earn a 10 percent discount at the register. In the past, a discount slip was given out at the service desk and could only be used on regularly priced goods, not on clearance or sale items.

Smit Succeeds Paull as Makro VP, GMM

CINCINNATI — Makro has named Leo Smit vice president, general merchandise manager, hard lines, succeeding Jeffery Paull who left the membership warehouse.

Zayre Sales Up 20.7 Percent for May

FRAMINGHAM, Mass. — Zayre Corp. released results for May and for the 17 weeks ended May 30. For the month, sales were up 20.7 percent to $451.2 million from $373.8 million a year ago. For the 17 weeks, sales were $1.7 billion, up 19.1 percent from last year's $1.5 billion. Robert Shedd, vice president, finance, said the company's spin-off division, TJX Corp., has applied for listing on the New York Stock Exchange. TJX comprises Zayre subsidiaries TJ Maxx, Hit or Miss and Chadwick's of Boston.

Lamstons President Adelman Resigns

NEW YORK — Burton K. Adelman, 67, president and chairman of Lamstons, resigned July 1 after 44 years with the variety store chain based here. Starting as an assistant store manager in 1943, Adelman became chief executive officer in 1974. He served as vice chairman of the Association of General Merchandise Chains until that trade group's merger with the National Mass Retailing Institute (now the International Mass Retail Association), of which he was recently elected a director.

Macke Spearheads Anti-takeover Bill

MINNEAPOLIS — A bogus tip by an investment advisor that Dayton-Hudson received a $6.8 billion take-over offer on June 23 was followed by the adoption of anti-takeover legislation by the Minnesota legislature just three days later. The lawmakers convened in special session on June 25 to enact a bill that would prevent corporate raiders from selling off parts of an acquired company within five years of its acquisition. The bill was spearheaded by Dayton-Hudson chairman Kenneth A. Macke.

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Chemical Bank Slashes Credit Line As Crazy Eddie Mulls Takeover Bids

EDISON, N.J. — Crazy Eddie, the consumer electronics chain based here that is currently the target of two separate takeover attempts, has been cut off from a $52 million credit line from Chemical Bank. The action was disclosed in Crazy Eddie's 10-K filing with the Securities and Exchange Commission in Washington.

Crazy Eddie said it had $10 million of debt outstanding under the credit line as of June 8. At that time, Crazy Eddie also had about $44 million in borrowings under a $50 million credit agreement with RepublicBank, Dallas.

Despite the loss of the credit line, the company recently added three units, bringing its total to 39 units. The SEC filing details plans to add six more in New York, Connecticut and Pennsylvania by March 1988.

The filing also disclosed that as of June 8, the number of shareholder suits against the firm has risen to at least 20.

Crazy Eddie is cooperating with the SEC in furnishing documents in connection with an inquiry that was being conducted by the SEC since the May 22 filing of the $7-a-share bid by founder Eddie Antar and First City Capital Corp.

Standard and Poor's said that Crazy Eddie's $81 million Single-B rated subordinated debt remains on its creditwatch with negative implications. The implied senior debt rating is Double-B-Minus, Standard and Poor's said.

Furthermore, Standard and Poor's said there has been further deterioration in the operating environment for CE retailing in the New York metropolitan marketplace. It added that although Crazy Eddie's balance sheet is strengthened by $131 million worth of cash and equivalents as of March 1, the funds may be used for the firm's own share repurchase program.

Moody's Investors Service also placed the Single-B1 convertible subordinated debenture rating of Crazy Eddie under review for possible downgrade.

The consolidated balance sheet in the SEC filing shows Crazy Eddie had $261.9 million in current assets at March 1, and $108.8 million in current liabilities. The assets included $9.3 million in cash and $122 million in short-term investments. Crazy Eddie sales per square foot declined 4.6 percent during fiscal 1987, ended March 1, to $2,769, and average sales per store fell 5.3 percent to $12.6 million.

Elias Zinn, president of Houston-based Entertainment Marketing, which has placed a $8-a-share bid for Crazy Eddie, is still evaluating the chain's numbers and hasn't decided yet if he will continue to pursue his takeover bid.

DSN Adds Sr. Editor, Promotes 2

NEW YORK — *DSN* executive editor Tony Lisanti has announced the addition of Kenneth Chanko to the position of senior editor. Chanko, who earned a BA degree in journalism and mass communications from the University of Wisconsin, Madison, will supervise *DSN's* expanded coverage of apparel merchandising. He recently served as retail editor of *DNR*, the men's wear daily. Prior to that, he was an associate editor for *Beverage Industry*, a biweekly trade publication.

Lisanti also announced two *DSN* editorial staff promotions: Richard Halverson to associate editor, from desk editor; and A. Rhona Melsky to desk editor, from editorial assistant. Halverson joined *DSN* last August after stints as a copy editor on the *Register*, a Shrewsbury, N.J., daily newspaper, and as a general assignment reporter for the *Asbury Park Press*. He began his career on the business desk of *The Christian Science Monitor*. Halverson earned BA and MA degrees in Latin American History at the University of California, Berkeley, and an MA degree in education at Stanford University, Palo Alto, Calif.

Chanko

Halverson

Melsky

Melsky joined *DSN* last June from an editorial position with the New York Walkers Club. She earned her BA degree in English with an emphasis in writing from Queens College, CUNY.

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—7/6,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Correct answers to questions below appear somewhere else in this issue.*

25 Years Ago This Week:

"If It's Good Enough for You...": In keeping with an industry trend toward "upgraded prices," *DSN* upgraded its subscription rate from $2 to $3.

1. The National Better Business Bureau waged "all out war" on what discount staple?
a) "Fictitious" list prices;
b) "Fictitious" books;
c) "Fictitious" reasons for being late to work.

20 Years Ago This Week:

"How About Silver Square?": Federated Department Stores was entering the field, but was having trouble coming up with a name.

2. What discounter computerized its credit operations, due to increased demand for service?
a) Heck's;
b) Bradlees;
c) K mart.

10 Years Ago This Week:

Did It Help?: Target chairman Ken Macke's reaction to K mart opening stores near established Targets: "We pray a lot."

3. What Midwest discounter put all of its eggs in the discount market by selling off its wholesale Nu-Way Drug division?
a) Gold Circle;
b) Pamida;
c) Meijer.

5 Years Ago This Week:

"D mart, the savings place"?: Japan's first D mart, styled after K mart, opened in Tokyo. D mart was chosen after it was discovered that someone else had already registered the name K mart.

4. What Southeastern chain bought and reopened six former Singleton's stores in Virginia, North Carolina and Tennessee?
a) Wal-Mart;
b) Rose's;
c) Heck's.

1 Year Ago This Week:

"Today K mart, Tomorrow the World": Newly acquired Waldenbooks announced it would take over K mart's book departments in five years.

5. What discounter went public again after 22 months of private ownership?
a) Pay 'n Save;
b) Pic 'N' Pay;
c) Pick 'n Pack.

KSA Report Cites Major Growth in Soft Lines Specialty Stores

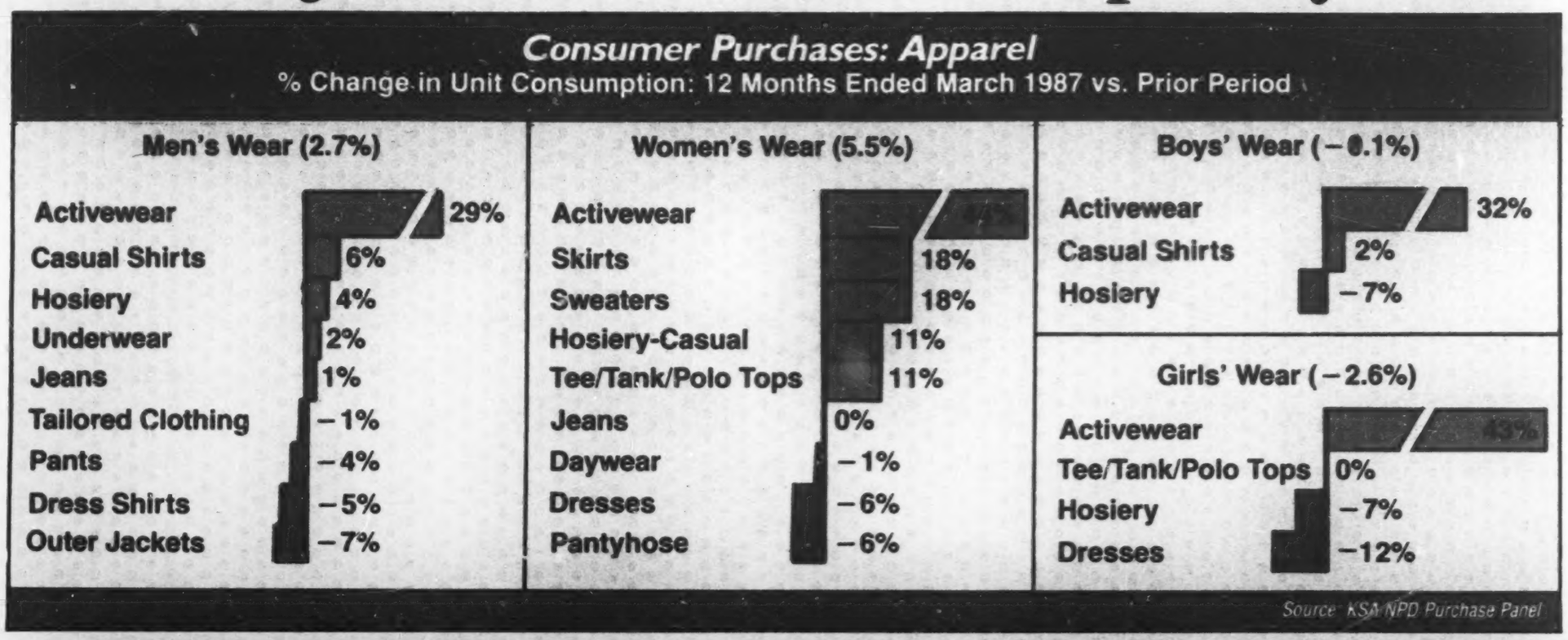
By Kenneth M. Chanko

NEW YORK — A focus on the consumer and store level vertical integration and leveraging of their strengths are reasons for the success and growth of such divergent discounters as Wal-Mart, ClothesTime and Pic 'N' Save, according to Robert M. Frazier, executive vice president of Kurt Salmon Associates.

Frazier, speaking last month in New York at a KSA-sponsored financial breakfast seminar, also presented figures showing the tremendous growth in women's and girls' apparel and activewear for women, girls, men and boys.

Overall, the major growth among the public retailers last year came from soft lines specialty stores and the mass merchants, said Frazier.

Among the discounters and off-price specialty chains, Frazier cited Wal-Mart, with a 41 percent sales increase (13 percent same store basis) in 1986 and a 26.6 percent return on equity; ClothesTime, the smallest company KSA profiled, with $106 million in sales last year and a 44 percent return on equity; and Pic 'N' Save, the non-continuity closeout discounter, the leader in return on sales, as last year's standout retailers.



Fastest Growing Retailer

Frazier noted that the fastest growing public retailer in the country was another closeouter, Consolidated Stores, and five of the 10 fastest growing retailers are involved in consumer electronics—Best Buy, Crazy Eddie, The Federated Group, Audio Visual Affiliates and Circuit City.

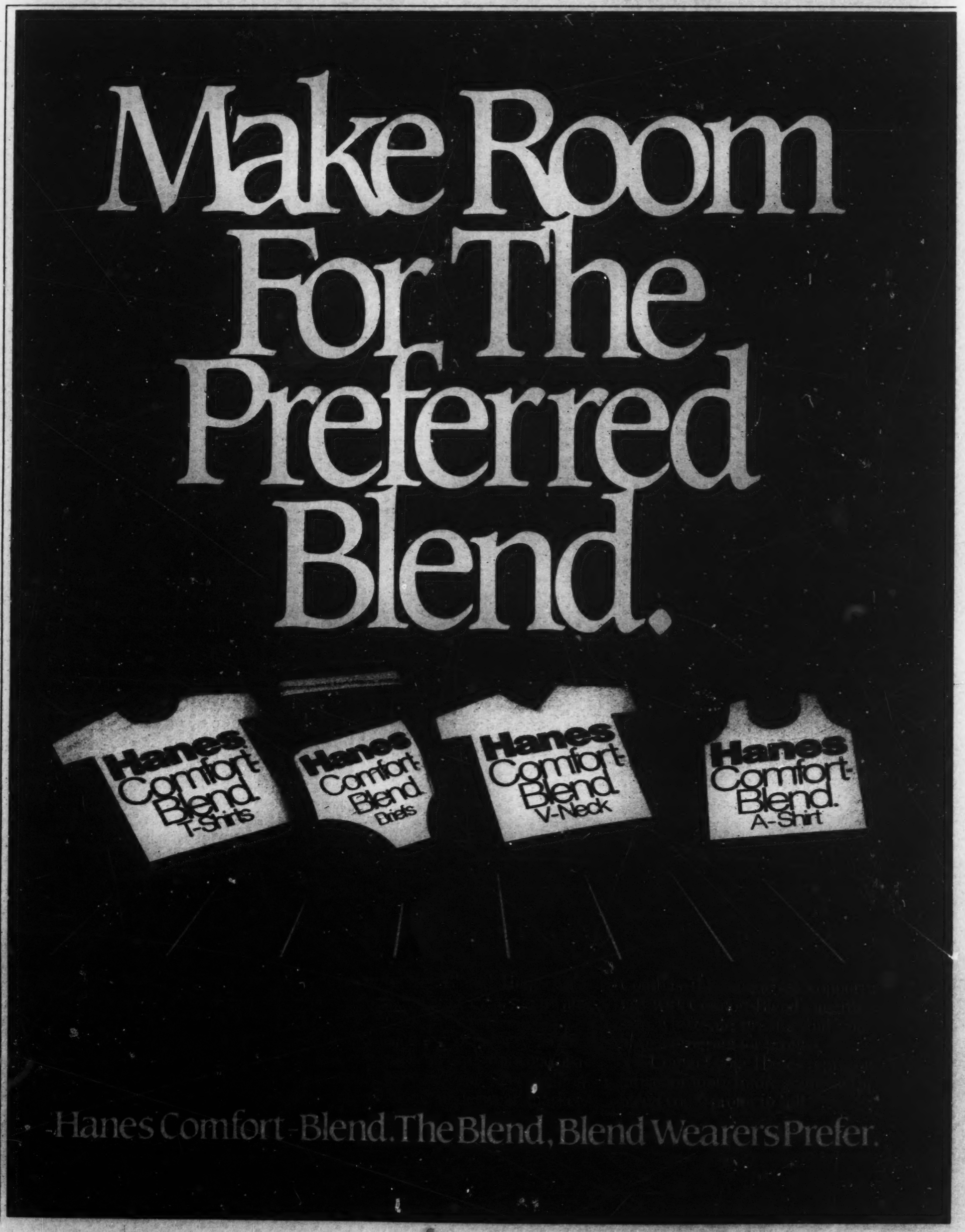
Frazier said that the growth of the consumer electronics retailers last year "is an excellent example of a new breed of retailer, which some have called the specialty mass merchant, or, perhaps more accurately, category killers." He went on to say that as the five mentioned above, along with such others as Highland, Newmark & Lewis and Tandy, "battle it out in the consumer electronics market, it is hard to see how a general merchandise retailer can profitably survive in the audio visual and electronics market."

Frazier said that such retailers as J.C. Penney Co., Wal-Mart and Mercantile paid particular attention last year to their operations at store level and on the consumer. "There is a clarity of focus and a strong people orientation to make it work," he said.

Frazier categorized vertical integration as "investing heavily in first class distribution centers and the information for tracking consumer demand at the sku level and translating that into product development and product sourcing. The industry strategy wrapped around Quick Response includes close work with suppliers. Even ClothesTime and Pic 'N' Save, which survive with closeout merchandise, are closely linked with their suppliers."

He also credited the suc-

(Continued on page 16)


Make Room For The Preferred Blend.
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Hanes Comfort-Blend. The Blend, Blend Wearers Prefer.

KSA Report Cites Major Growth in Soft Lines Specialty Stores

(Continued from page 15)
cessful retailers with "leveraging the concept that is working for them" through "attention to detail in the execution of their strategy and, where the marketplace permits, the rapid rollout of the concept into new regions."

In general, Frazier noted that fiscal 1986 results from most retail and apparel manufacturers "rebounded sharply" from their poor 1985 showings. He credited stronger consumer spending and better inventory management for the better performances.

Jay Meltzer of Goldman Sachs said he sees "modest U.S. economic growth continuing through 1987 and into 1988."

Other notable growth and performance figures that emerged from the seminar include:

- Women's and girls' apparel accounted for the largest percentage—24.5 percent—of a defined consumer products mix that accounted for $320 billion in sales last year.

The others categories were appliances and electronics (15 percent of the $320 billion product mix), men's and boys' apparel (12.5 percent), furniture (11 percent), recreation goods (10 percent), textile domestics and floor coverings (7.5 percent), footwear (7 percent), housewares (6.5 percent) and fashion accessories (6 percent).

This $320 billion product market, which represents only around 11 percent of total consumer spending, has been growing steadily at the rate of 6 percent to 7 percent a year. Over 95 percent of these products reach the consumer through general merchandise retail stores or specialty stores, with the remaining 5 percent purchased at food and drug stores.

- Specific distribution segmentation of the $320 billion pie last year was cut as follows: 21 percent of all products above were purchased at home products specialty stores; 17 percent at apparel and footwear specialty stores; 15 percent at general merchandise discounters and mass merchants; 15 percent at department stores; 11 percent at national chains; 5 percent at food and drug stores, and the remaining 16 percent from other outlets.
- Activewear was the big winner among all the apparel categories over the last year: women's activewear shot up 44 percent in unit consumption for the 12 months ending March 31, 1987, compared to the prior period, with men's activewear up 29 percent, boys' activewear up 32 percent and girls' activewear up 43 percent.

Overall, women's wear was up 5.5 percent, men's wear increased 2.7 percent, girls' wear was off 2.6 percent and boys' wear was barely down, 0.1 percent. The categories bought less frequently during that 12 month period were men's outer jackets (off 7 percent) and dress shirts (off 5 percent), women's dresses and pantyhose (both off 6 percent), boys' hosiery (off 7 percent) and girls' dresses (off 12 percent) and hosiery (off 7 percent). Women's casual hosiery, however, posted an 11 percent increase.

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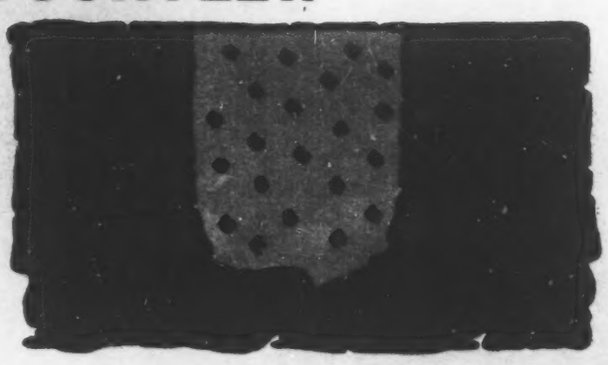

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Mervyn's Reviews Private Labels As Profits Slump

HAYWARD, Calif. — As Mervyn's scrambles to overcome its poor showing in fiscal 1986, its private label program is being reassessed.

Mervyn's private labels now account for 50 percent of its merchandise offering.

According to parent company, Dayton-Hudson, Mervyn's is trying to emphasize everyday low prices on all of its merchandise, while making its private label offering more consistent and quality oriented. Dayton-Hudson said this consistency with the merchandise particularly applies to keeping adequate stock on hand during promotions.

Mervyn's said it is also turning its "focus this year toward narrower assortment and earlier trend identification." By narrowing the focus, the retailer said customers will be able to identify the trends more readily without being overwhelmed with too much varying merchandise.

The 180-store retailer is also studying its new product development effort to see if "we can do more and do it better." The re-evaluations and adaptations to the private label program coincide with an overall adjustment to the merchandise mix that Mervyn's is making storewide in order to become more fashion forward.

According to Dayton-Hudson, its Target discount store subsidiary has also tried to enhance its fashion presentation, and apparently with good results. Target helped offset the low gross margins and poor comparable store sales at Mervyn's in 1986.

Hard Lines

Auto Chains Upgrade POS, Add Slot Scanners

(Continued from page 3)

Whitlock, meanwhile, is putting all its stores, including the 40 acquired from Rose in Florida last year, onto its electronic POS system at a cost of $3 million. In addition, Shuck's, which acquired 378 Kraggen and Checker stores last fall from the automotives division of Lucky Stores, is integrating all those units into its POS system.

As for the use of slot scanners, low costs weren't the only reason that Dallas-based Chief Auto decided to use this technology. The decision followed time and motion studies that the $256 million auto specialty chain carried out last year to determine what type of scanning—slot or hand wanding—was the most productive.

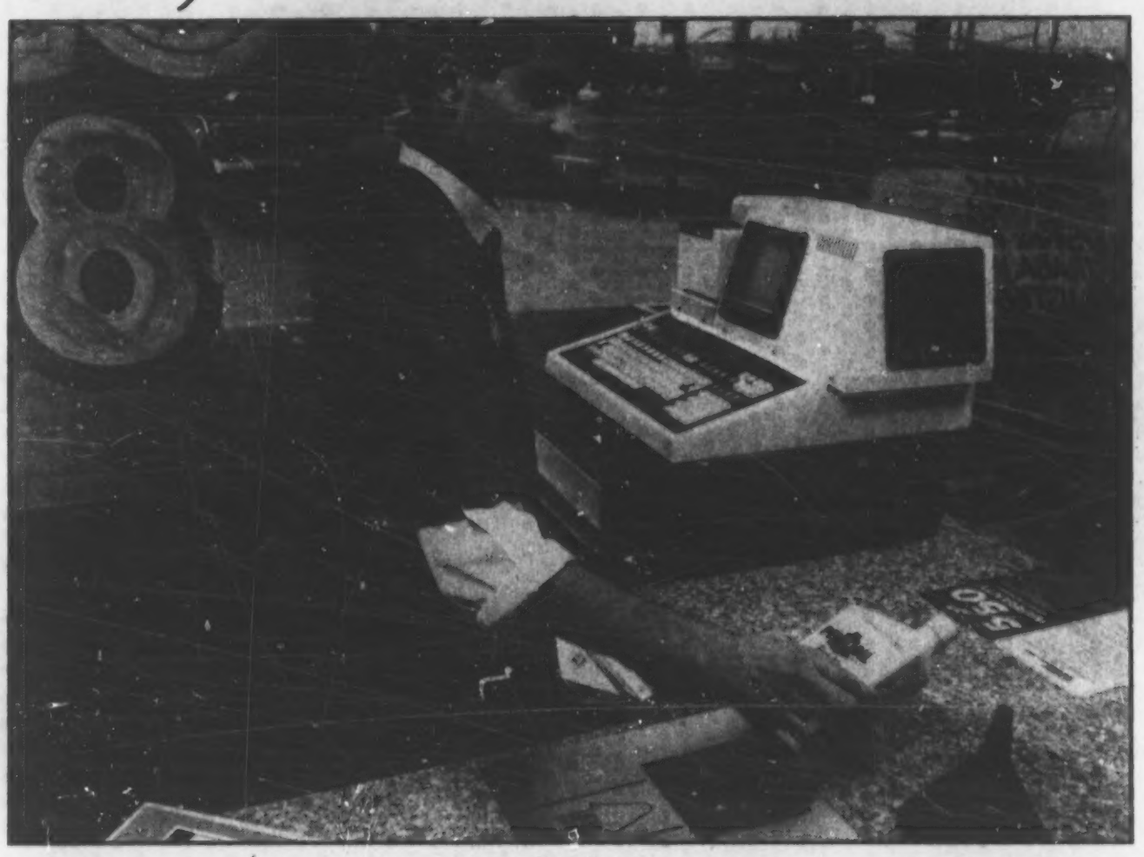
Slot scanning, using Metrologic's MS260 system, was "the way to go because it was faster and easier for cashiers to use," said Tom Metcalf, systems manager. Slot scanners left cashiers' hands free to bag and to work the Stores Automated Systems Inc. electronic registers that were phased into the stores as part of Chief Auto's installation of the latest retailing technology.

"Our testing also showed that the slot scanners are highly reliable and less expensive than other scanners," he added.

Nationwise Auto, meanwhile, installed SASI electronic registers because this system "was designed specifically for the automotive aftermarket and serves our particular needs," said Hal Ferrell, vice president of store operations. "Our POS systems offer us greatly increased flexibility to go to scanning and other types of in-store automation in the future."

Chief Auto, which is a division of The Southland Corp. conglomerate, had as its goal this year the chainwide installation of the POS terminal/slot scanner combination "so that we could get the key benefit of capturing the right price at the checkout," Met-

(Continued on page 24)



Chief Auto Parts, East Los Angeles, was among the chain's first group of stores to install electronic registers and slot scanners. (Photo by Kevin Reimers)

Accessories, Parts and Chemicals Drive Automotive Profits

By Herb Rechter
President,
Allied Accessories and
Auto Parts

Without any dramatic new products coming on stream, automotive retailers will have to depend on the seasonal shift from spring waxes and polishes to fall commodities such as oil and filters to keep sales up.

And with margins on oils as dismal as ever, discounters will have to look to accessories, parts and chemicals to keep their automotive departments profitable. Even though they seldom make the top 25 in terms of unit and dollar volume, products in these three categories lumped together account for a good portion of the department dollar volume—and more important—profit.

The first quarter product movement audit reflects the expected spring buildup. Of the top 25, 10 are exterior finish products. Of the top 10, five are waxes or washes.

Turtle Superhard Shell Paste wax, 14-ounce size, moved to the head of the class for the quarter ended April 1987, compared to its No. 4 position for the year ended January 1987.

FLIA Motorcraft Oil Filter held onto a strong second place in the quarterly audit, in dollar volume terms, down from first place in the annual PMA.

Armor All Protector, 16-ounce, slipped to fourth place on the quarter from third place annually. The 8-ounce size also slipped a notch, to sixth from fifth.

Yet, as one of the most promoted automotive products, Armor All always sells well year round. Consumer surveys show that Armor All enjoys the best name recognition of any automotive product.

It gets people into the store. You can be sure that none of the Armor All co-op ad dollars go begging.

But because it is so heavily promot-

(Continued on page 24)

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVES			
1	Turtle Super Hrd Shell Paste 14-oz.	31,311	4.69	146,849
2	FLIA Motorcraft Oil Filter	44,674	2.99	133,575
3	Raindance Paste (Appl Pk) 14-oz.	18,768	6.99	131,188
4	Armor All Protector 16-oz.	17,900	6.99	125,121
5	Sealed Beam 6052, Large Square	15,381	7.99	122,894
6	Armor All Protector 8-oz.	34,906	3.29	111,841
7	Halogen Seal Beam, H6054, Large Square	6,941	15.99	110,987
8	Sealed Beam 4652, Low Square	19,597	4.99	98,288
9	Castrol GTX 20W50 Motor Oil Qt.	73,216	1.30	94,961
10	Raindance Liquid (Appl Pk) 16-oz.	13,549	6.99	94,708
11	Quaker State Deluxe 10W40	71,231	1.24	88,469
12	Quaker State Sup Blnd 10W30	71,388	1.15	82,239
13	AC Spark Plugs R45TS-8B	7,784	9.69	75,427
14	Castrol GTX 10W40 Motor Oil Qt.	56,340	1.29	72,679
15	Westl Bleche Wite Liquid 20-oz.	35,395	1.99	70,436
16	Gumout Jet Spray 7450 13-oz.	35,250	1.99	70,148
17	Auto Bulbs 1157, 2 on a card	75,186	0.89	66,916
18	Turt Zip Wax Liq Car Wash 18-oz.	24,016	2.69	64,603
19	Armor All Protector 4-oz.	38,160	1.69	64,490
20	AC Oil Filters PF-47	18,180	3.49	63,448
21	Holland Chamois 4½-sq.-ft.	5,993	9.99	59,870
22	Kit Paste Car Wax 12-oz.	14,406	3.99	57,480
23	Halogen Seal Beam H4656 Lo Square	6,358	8.99	57,158
24	Sealed Beam 6014 Large Round	18,872	2.99	56,427
25	Turtle Super Hard Shell Liquid 10.75-oz.	17,081	3.29	56,196

Source: Allied Accessories and Auto Parts, distributor, Madison Heights, Mich., for the quarter ended April, 1987. The company services more than 2,500 retailers, primarily discounters.

MARKETWATCH

REXDALE, Ontario — Cataloger **Consumers Distributing (Canada)** will add leased children's apparel sections in its 23 Toy City specialty stores. The clothing area will be run by Just Kids, the children's wear specialty store subsidiary of Montreal-based Zellers department stores.

* * *

CHICAGO — The **Automotive Parts & Accessories Association** will open its 1987 show here with a breakfast meeting featuring an analysis of consumer attitudes and their impact on the automotives aftermarket. Set for 8 a.m. to 10 a.m., Aug. 24, at McCormick Place, the kickoff meeting will present the consumer findings of Sender Hoffman of Yankelovich, Skelly and White/Clancy, Shulman, a consumer marketing group. Also scheduled is a brief annual meeting of APAA and an audio-visual presentation on how to work the show. To order breakfast tickets, at $7.50 each, write: APAA, 5100 Forbes Blvd., Lanham, Md. 20706, or call (301) 459-9110.

* * *

MILWAUKEE — **Wisconsin Toy Company** selected Richard M. "Dick" Wilson, founder and former president of Playland Toy Stores, as president of its retail division. Wilson will be responsible for the firm's six Toy Liquidator stores. The company plans to open up to 18 more retail units this year.

* * *

WASHINGTON — Increasingly stiff import competition impacted U.S. bicycle manufacturers last year, as domestic shipments of bikes dropped 2.5 percent in 1986, according to estimates by **U.S. Commerce Department** economists. Imports of bicycles and parts were valued at almost $658 million last year, representing a estimated 54.4 percent of U.S. consumption. The 2.5 percent drop in domestic shipments reduced the value of U.S. shipments to $566 million (from $578 million in 1985). Bicycle unit imports went up an estimated 35 percent last year, with shipments of foreign bike parts increasing 29 percent. Economists warned that import prices of bicycles are expected to increase in 1987, "with these price increases ultimately passed on to the consumer." Even so, U.S. shipments will "remain flat or decline slightly" in this year, they predicted. "Improved automation, innovation and a continued decline in the dollar should help U.S. bicycle producers compete with overseas sources and perhaps give the bicycle industry a better outlook over the next few years," economists said, noting that domestic manufacturers are already upgrading their technology (e.g., using robotics in the welding and wheel production).

* * *

TROY, Mich. — **K mart Corp.** named six American suppliers for outstanding service with the 25-year-old retailer. The honored companies were 3M, Duraco Products, Hygiene Industries, Magee Frame Company, Robinson Manufacturing and Vermont American Corporation/Atkinson Manufacturing Division.

AUTOMOTIVES | HARD LINES

Auto Chains Upgrade POS, Choose Slot Scanners over Wands

(Continued from page 23)
calf said. Scanning the UPC code provides the information that enables the POS terminal to override incorrectly marked prices or capture a price on unmarked goods.

A growing number of auto specialty chains are relying on UPC-marked goods for sales information, including an item's price. Whereas three years ago only about 20 percent of merchandise in auto specialty stores was UPC coded, now 75 percent to 80 percent carry the bar codes and the figures should be close to 100 percent in a few years.

The main exceptions are likely to be bulky goods like car batteries and car ramps—items that can leak dangerous chemicals or are too large to put on a checkout stand.

"We don't have many large items, and those products that are too big to put on the checkout counter we key in the sku numbers, even if they come with a manufacturer's UPC code." It's easier to handle bulky goods this year, Metcalf said, and the SASI terminals and backroom controller treat the information the same as UPC imput.

The chain's time and motion tests, along with other studies, included determining the best location within the checkout counter for the slot scanner. Other moves included connecting the POS terminal/scanners combination on a electric circuit separate from that used for the key cutting machine so that a blowout by the latter wouldn't bring down the checkout system.

Installing the slot scanners only required cutting a hole in Chief Auto's checkout counter as the device was small enough for a custom fit into the chain's current front end equipment.

Metcalf said that once all the Chief Auto stores have slot scanners, the chain will phase out pricing tickets for individual items, "the same as supermarkets have been able to do." The chain will then use shelf tags to list an item's price.

Chief Auto has found that slot scanning has provided more accurate capture of sales information and faster checkout service, he said, adding, however, that the results were based on only the start-up installation of units.

The chain's goal next year, he added, was to "put it all together—fine tune the inventory in each store to its market beyond the assortment tailoring that is already common in the industry."

Accessories, Parts, Chemicals Drive Automotive Sales

(Continued from page 23)
ed, margins on Armor All fall in the 10 percent to 20 percent range, compared to 30 percent to 40 percent on chemicals such as Gumout.

Gumout 7450 Jet Spray, 13-ounce, fell to No. 16 on the quarterly survey from No. 10 annually.

Overall margins are running about the same as last year. Margins on loss leader oils range from cost to 10 percent, while oil filter margins run from 10 percent to 30 percent. Accessories carry higher margins, ranging in the 40 percent plus range.

Don't expect an awful lot new in the coming months, except perhaps for promotions on such items as floor jacks.

Discounters already are maximizing coupons and tie-ins, so the best they can hope for to hold up overall department margins is to concentrate on accessories, parts and chemicals to balance the commodity items.

Pickup Accessories Market

One new trend is that a huge market is developing for pick-up truck accessories and, to a limited extent, performance market accessories.

Some of the more popular truck accessories include: running boards, sliding rear windows, lighting accessories, truck bed liners and truck bed tool boxes.

Limited Speed Accessories

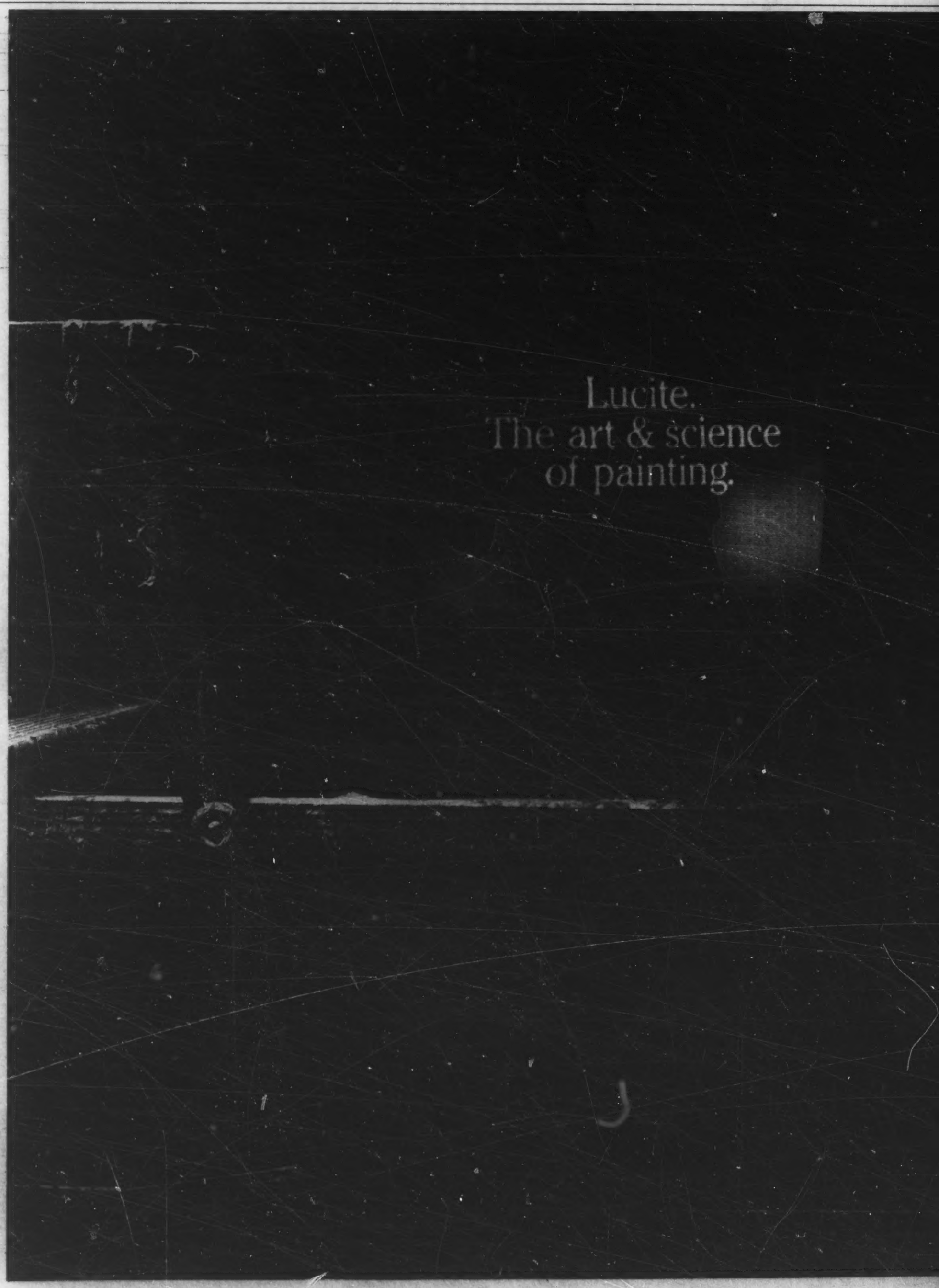
In a limited way, discounters can handle speed performance accessories, even though they may lack salespeople who are experienced in the field.

Discounters can successfully sell the lighter stuff, such as under-the-hood dress-up kits, even if they can't handle the heavier speed performance products.

An under-the-hood dress-up kit typically would sell at discount for $39.99 and consist of such chromium items as a valve cover, air cleaner cover, oil cap and dip stick.

Although the dyed-in-the-wool performance speed freak leans toward brand names, brand names for the lighter equipment appear to make no difference to the consumer.

Answers:
1. a, 2. c, 3. b, 4. c, 5. a



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Discount Store News®

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Discount Chains to Post 5% Sales Gain; Membership Clubs Pace Growth in 1987

Nationwide DSN Report

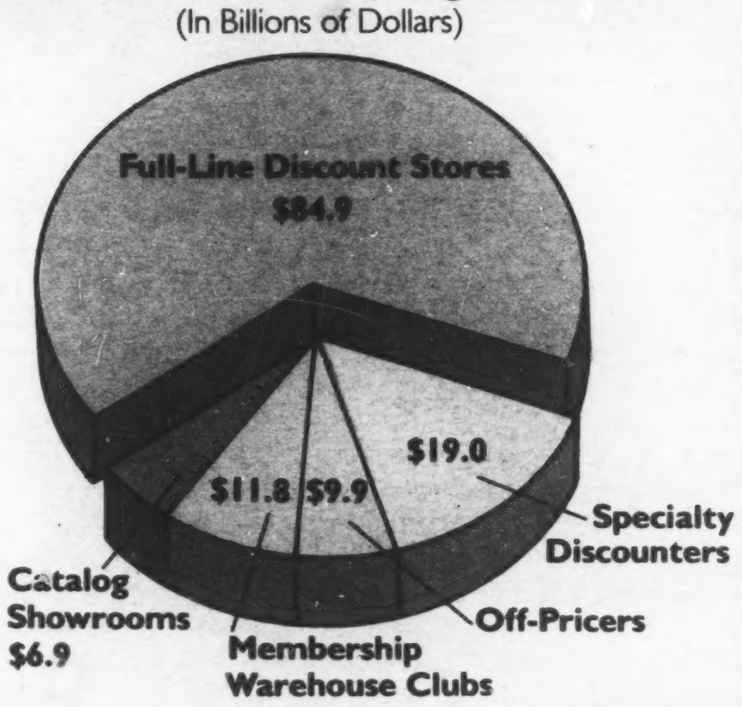
Discounters will generate $132.5 billion in sales this year, a 5 percent increase over last year, as membership warehouse clubs and specialty chains continue to propel total industry growth.

Discount department stores, which still dominate total discount industry sales, will experience roughly a 2 percent gain in sales to $84.9 billion, according to *DSN*'s annual report on the discount store industry.

This year's *DSN* annual report, which starts on page 21, compiles 1986 sales and earnings (where available) figures on the top 100 discounters in the country, projects total 1987 industry sales by segment and merchandise category, and profiles the industry's leading chains.

(Continued on page 11)

1987 Discount Industry Segment Sales
(In Billions of Dollars)



Wal-Mart to Blitz Florida Panhandle

BENTONVILLE, Ark. — Wal-Mart will invade the Florida Panhandle with as many as 14 stores within the next 12 to 18 months, confirmed Curtis Barlowe, vice president, real estate, for the chain. Barlowe described the area as "understored since the closing of several TG&Y stores" several years ago.

Included in Wal-Mart's expansion will be a former Super Saver club and six Wal-Mart stores in Jacksonville, which already contains a Sam's Wholesale Club; three Wal-Mart stores in Pensacola; and three more Wal-Marts and a Sam's in Tallahassee.

The total of 12 Wal-Marts and two Sam's will allow the company to "saturate this trade area," Barlowe said. He added that the first stores will open in late fall, with the bulk opening in the first quarter of 1988 and the balance planned to be completed by the end of the second quarter, conditions permitting.

In what is primarily a farming area, this large-scale opening of new stores comprises a veritable blitzkrieg, but Barlowe noted that Jacksonville, with a city-limit population of 600,000, is "a dynamic market. We want to take advantage of the singular growth opportunity this market offers," he concluded.

McDade Emerges from Ch. 11 After Creditors Approve Plan

By Laura Liebeck

CAROL STREAM, Ill. — McDade & Co., based here, emerged from Chapter 11 bankruptcy on June 30, just days shy of four months from its filing date.

It was on that date that the court approved McDade's reorganization plan calling for its creditors to be paid 50 cents on the dollar for every dollar owed to them.

The existing company leadership, headed by Patrick Doyle Sr., president, will remain in place, Doyle told *DSN*.

McDade & Co., a privately held company with eight Chicago-area catalog showrooms, filed for Chapter 11 protection from its creditors on March 4 in the U.S. Bankruptcy Court for the Northern District of Illinois.

McDade "is a viable business," declared company attorney Glen Bernfield, of the Chicago law firm of Pretzel & Stouffer. "I'm very happy," said Doyle, noting that the company is coming out of this "better than we were before. It's upward from now on."

(Emergence from Chapter 11 was to become "official" on July 10, after a 10-day period for rebuttal to the reorganization plan. Attorneys for McDade and the creditors told *DSN* they did not expect any hitches and considered the June 30 date McDade's official emergence from bankruptcy.)

Last year, McDade recorded sales of $79 million, down 14 percent from the $91.6 million charted in 1985, according to

(Continued on page 11)

Venture Slices Store Size To Raise Productivity

By Richard C. Halverson

O'FALLON, Mo. — In a bid to improve sales per square foot and cut store operating costs, Venture is experimenting with a smaller, high profile prototype.

The prototype, which opened last month in Oklahoma City on Rockwell Avenue, is the fourth Venture store in that fairly small market. The Rockwell store, converted from an existing store in a strip mall, is just 65,000 square feet in size, or 19 percent smaller than Venture's recent standard size of 80,000 square feet.

The Rockwell store represents another step in Venture's trend toward building smaller stores. Five years ago, the standard was 116,000 square feet, said a Venture executive, and some stores were built at 100,000 square feet and 90,000 square feet before Venture settled on the 80,000-square-foot prototype.

In addition to the new size, the smaller store also continues Venture's break with its tradition of low, profile merchandising.

For about a year and a half, Venture has shifted to high profile stores in order to display more merchandise in a smaller space, said Jim Cougill, divisional vice president for sales promotion.

In the case of the Rockwell store, the total volume of goods has been reduced, even though the same assortment of merchandise has been kept. Venture accomplished that by adding spines to gondolas to push them to a height of 84 inches from a traditional Ven-

(Continued on page 173)

Unit Features Hard Lines Scanning

Fred Meyer Opens Prototype

By Pamela Krein

MARYSVILLE, Wash. — Fred Meyer, the Portland, Ore.-based chain of 94 superstores in the Pacific Northwest, unveiled a new store format here this month that allows customers to purchase both grocery and hard lines products from the same checkout area.

The first of four stores planned this year, the new Marysville unit is also the first store in the chain with the capability of slot scanning hard lines merchandise.

Typically, Fred Meyer stores are laid out in segmented departments with separate register

(Continued on page 174)

Fred Meyer's new store is the first in the chain capable of slot scanning hard lines products and allows shoppers to pay for both grocery and hard lines items at a common checkout. (DSN photo)

Special Sizes Spur ... th | RTA Furniture Gains Fashion Edge | Auto Specialists Take Market Share

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MARKETWATCH

Gold Circle Layoffs Exaggerated

WORTHINGTON, Ohio — Gold Circle chairman Peter Hayes told *DSN* that local newspapers incorrectly reported news of chainwide layoffs. While it is true that over 100 positions will be eliminated at Gold Circle, Hayes said most of the people affected have been absorbed within the company. No more than 10 employees to 20 employees at the clerical to middle management level were fired, Hayes said. Local newspapers stated that 100 employees were losing their jobs. The "restructuring," according to Hayes, was meant to "devote efforts to buying rather than clerical work," and to "develop customer service in stores by elimination of positions at headquarters."

Mars Reports First Quarter Loss

NORTH DIGHTON, Mass. — Mars Stores, the 20-store discount chain headquartered here, reported a net loss of $514,000 on sales of $20.4 million for the first quarter ended May 2. Mars president Paul Kwasnick blamed the loss on unseasonably chilly weather and intense price competition in the Northeast, but added, "We are pleased with the progress we have made towards restoring Mars to profitability . . . we plan to earn a profit for the year." He pointed to rectification of an inventory shrinkage problem, higher gross margin percentage, new promotional programs and an "improved circular format" as examples of the company's progress.

Bi-Mart Signs Leases for 3 New Sites

EUGENE, Ore. — Bi-Mart has signed leases for three new stores in Oregon, pushing the members-only discount store chain to 37 units. The chain, which provides discounted general merchandise and pharmacy prescriptions to consumer members in small communities, said all three stores are 30,000 square feet and are located in Covallis, East Tigard and Lincoln City. The subsidiary of Seattle-based Pay 'n Save said the three locations will be in operation by the first of next year. "The new stores are in response to customer demand for Bi-Mart facilities closer to their communities," said company president Marty Smith. A high membership percentage already exists in the three Oregon markets, noted Smith, so the additional stores are intended to making shopping more convenient. The company is also slating the opening of two other stores next year, one in Sunnyside, Wash., and one in La Grande, Ore.

Housewares Exec Buys Mr. Coffee

CLEVELAND — North American Systems, makers of Mr. Coffee, was acquired for an undisclosed price in a leveraged buyout by New York securities firm McKinley Allsopp and John Eikenberg, a longtime housewares industry executive, on July 2. Eikenberg is a former president of the National Housewares Manufacturers Association, chief operating officer of Cuisinart, and most recently, president of National Housewares Inc., a Towle Manufacturing company. He is now president and ceo of the 19-year-old firm, headquartered here, and plans to rename the company Mr. Coffee Inc., said Martha Logan, a vp at McKinley Allsopp. Mr. Coffee, which recorded $120 million in sales last year, was founded by Vincent G. Marotta Sr., who invented the coffee-making machine in 1968. He is retiring from the firm.

She's Just a Discount Shopper

NEW YORK — Tammy Faye, the wife of embattled TV evangelist Jim Bakker, claimed that she has been getting a bum rap as one of the nation's most famous shoppers, whose tastes run to gold-plated bathroom fixtures, air-conditioned dog houses, fur coats and luxury cars. Instead she's a discount shopper, she asserted. Appearing with her husband last month on Ted Koppel's "Nightline," Tammy Faye admitted that she is a compulsive shopper. But "I don't shop for cars or furs," she contended. "I shop at T.J. Maxx. I shop at factory outlets."

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American Wholesale Invades Windy City with Two Clubs

By Peter Hisey

RICHARDSON, Tex. — American Wholesale Club, the membership warehouse operation headquartered here, announced the impending openings in late August of its third and fourth locations, representing the chain's first venture outside its home Texas market.

Both units will be in the suburbs of Chicago, one in Arlington Heights and the other in Lombard. Both will be subleased from and are former locations of the Warehouse Club chain, which closed them down on April 1 of this year. Warehouse Club will retain its other three Chicago sites.

The Chicago market has been a trouble spot for Zayre-owned BJ's, which purchased three clubs from Metro Cash and Carry. The latest Zayre annual report blamed most losses in its wholesale club segment on preopening expenses and poor performance by the Chicago-area BJ's.

American Wholesale Club president Jeffrey Zisk called the Chicago market "open territory." He noted other major markets, such as Los Angeles and Denver, as far more saturated, and singled out Los Angeles as supporting 20 clubs doing "large volumes."

By contrast, Chicago at present has only six clubs selling small volumes, Zisk said.

Jeffrey Zisk (left), president, and Richard Palmer, exec vp, at American Wholesale Club's original unit in Plano, Tex.: Chicago is "open territory" for membership clubs. (DSN photo)

"Marketing is the key, and we're going to use the marketing plans we've been successful with," he said, referring to the process of signing up small business owners as club members. He added that the company's Mesquite, Tex., club, opened in May, is "ahead of where [flagship club] Plano was at the same time in its development."

Asked why he expects to be successful in a market that has been less than dazzled by the warehouse concept, Zisk cited his company's expertise in marketing and merchandising. "There are recognizable differences within any industry," he said. "There's always one company that is more successful. If we're successful, it could stimulate the whole area and raise awareness of the concept."

American Wholesale, which opened its first unit in June of 1986, will now have quadrupled its business in a little over a year, about average for this fast-moving industry. According to the company, the two new stores will not differ significantly from its 105,000-square-foot Texas locations, although there may be minor variations in products.

DSN Expands Editorial Staff to 13

NEW YORK — *DSN* executive editor Tony Lisanti has announced the addition of Laura Liebeck as a senior editor on *DSN's* editorial staff.

Liebeck comes to *DSN* from *National Home Center News*, which like *DSN* is published by Lebhar-Friedman, where she was an associate editor. She joined *NHCN* is September 1984 as a field editor, after spending three years as a general assignment reporter and business editor for the *Marietta Daily Journal/Neighborhood Newspaper*, in suburban Atlanta. Liebeck was graduated from American University, Washington, D.C., in December 1978 with a BA degree in journalism.

Liebeck, who reports to managing editor Donald Longo, will supervise *DSN's* coverage of hard lines.

DSN now has 13 editors covering discount retailing out of offices in New York City, Washington and Los Angeles.

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—7/20,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Correct answers to questions below appear somewhere else in this issue.*

25 Years Ago This Week:

Premature Death: A manufacturer pronounced non-stick cookware "dead."

1. A DSN *editorial predicted the next discount "mutation" would be:*
a) Warehouse clubs;
b) Electronic shopping;
c) Catalog showrooms.

20 Years Ago This Week:

Buyer: Discount shoppers were more likely to buy what they came for than department store shoppers, said a poll.

2. What Midwest chain planned to go public?
a) Dayton Co.;
b) Gold Circle;
c) Hilf's.

10 Years Ago This Week:

Room at the Top: 11 discount store chains had named new presidents over the past 10 months.

3. Zayre Corp. opened what subsidiary in Worcester, Mass.?
a) Hit or Miss;
b) BJ's;
c) T.J. Maxx.

5 Years Ago This Week:

A Bunch of Old Softies: Five catalogers added domestics to their all hard lines mix.

4. What major retailer was mulling over establishment of an off-price apparel chain?
a) Zayre;
b) Dayton Hudson;
c) K mart.

1 Year Ago This Week:

Merger: May's bid to acquire Caldor from Associated Dry Goods shakes up the market.

5. Much of the year's 9 percent growth was due to what industry segment?
a) Electronic shopping;
b) Warehouse clubs;
c) Catalog showrooms.

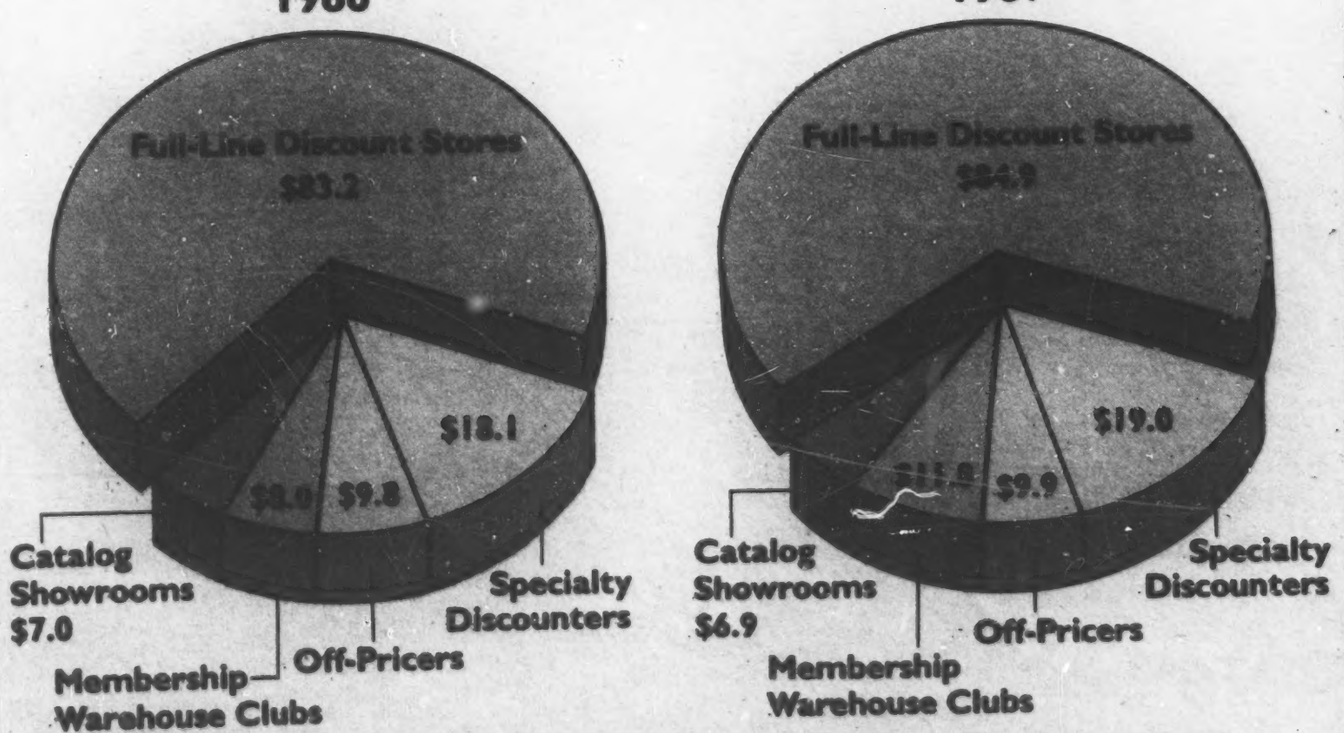
Annual Industry Report

Top Chains, Membership Clubs, Specialty Retailers to Propel Discounters' Sales to $132.5 Billion

Ladies', men's and children's wear will generate $24.9 billion in sales for full-line discount stores this year, according to DSN research. (DSN photo)

Discount Industry Segment Sales

(In Billions of Dollars)



Discounters will ring up $132.5 billion in sales this year, a 5 percent increase over 1986, as warehouse clubs and specialty chains continue to propel total industry growth.

DSN's Annual Discount Industry Report

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Top 20 Discounters' Sales Grow 13%

Nationwide DSN Report

The nation's top 20 full-line discount department stores outpaced total industry growth last year as sales for these giant discounters surpassed $56 billion, a gain of some 13 percent over 1985. Total discount industry sales increased about 9 percent in 1986 and are projected to climb another 5 percent this year to $132.5 billion, according to *DSN*'s annual report on the discount industry.

Overall, full-line discount department stores are expected to post a more modest gain of about 2 percent to sales of $84.9 billion, reflecting continued consolidation among the top chains and rough sledding for many of the industry's second-tier chains, such as ALCO Stores (sales down 5 percent), Gee Bee (down 12 percent), Danners (down 6 percent and subsequently acquired by Maxway this year), and Cook United (down 22 percent and in Chapter 11 for the second time in two years).

But whatever sales were lost by these mid-sized discount store chains were more than made up by the industry's giants:

- K mart's 2,086 U.S. and 118 Canadian units led the discount store industry in sales last year with $22.1 billion, up 6.3 percent from $20.8 billion in volume in 1985. This gain was paced by the 5.5 percent increase in same store volume last year as compared to a 0.4 percent drop in 1985.
- Widely admired as one of the strongest companies in any category of retailing, Wal-Mart was the pacesetter in growth among the indus-

(Continued on page 30)

Top Full-Line Discounters

Chain	Sales (In Millions) 1986	1985	Percent Change
K mart	$22,107	$20,775	6%
Wal-Mart	10,200	7,674	33
Target	4,355	3,932	11
Zayre	3,046	2,638	15
Bradlees	1,900	1,600	19
Ames	1,888	1,513	25
Caldor	1,411	1,338	5
Meijer	1,400	1,200	17
Hills	1,343	1,214	11
Rose's	1,199	1,009	19
Venture	1,100	1,004	10
Fred Meyer	1,074	1,004	7
Gold Circle	969	1,058	(8)
ShopKo	915	754	21
Fedco	650	555	17
Jamesway	612	542	13
Heck's	566	523	8
Dollar General	565	584	(3)
Alexanders	520	520	0
Pamida	500	460	10

Figures are for general merchandise sales only. *Source: DSN research*

The Top 100 ALCO to Zayre

Chain, Headquarters	1986 Rank
ALCO, [illegible]	56
[illegible]	69
[illegible]	10
[illegible]	59
[illegible], Green, Ohio	74
[illegible]	47
[illegible]	97
[illegible], Livingston, N.J.	38
[illegible]	72
[illegible], Inglewood, Calif.	8
[illegible], Eugene, Ore.	73
[illegible], Angeles, Calif.	81
[illegible]	9
[illegible]	77
[illegible]	46
[illegible]	12
[illegible]	65
[illegible]	29
[illegible]	21
[illegible]	88
[illegible]	59
[illegible], Ohio	45
[illegible], Glen, N.J.	52
[illegible], Ohio	79
[illegible]	25
[illegible]	48
[illegible]	92
[illegible]	34
[illegible], Calif.	65
[illegible], N.C.	40
[illegible]	27
[illegible]	44
[illegible]	87
[illegible], New Castle, Pa.	61
[illegible], N.Y.	75
[illegible], Ore.	20
[illegible]	63
[illegible], Pennsylvania	87
[illegible], Wilmington, Ohio	22
[illegible], Grand Rapids, Calif.	86
[illegible], Farmington, N.Y.	93
[illegible]	82
[illegible], W. Va.	33
[illegible]	28
[illegible]	26
[illegible]	15
[illegible]	50
[illegible], N.J.	30
[illegible]	1
[illegible]	41
[illegible], Wisconsin	43
[illegible], Pa.	62
[illegible], N.C.	49
[illegible]	100
[illegible]	68
[illegible]	13
[illegible]	14
[illegible]	78
[illegible], Rochester, N.Y.	76
[illegible]	55
[illegible]	53
[illegible]	31
[illegible]	57
[illegible]	17
[illegible], Paramus, N.J.	42
[illegible], Calif.	56
[illegible], Wis.	99
[illegible]	5
[illegible], Salt Lake City, Utah	57
[illegible], N. Hudson, Mich.	95
[illegible]	83
[illegible], Houston, N.C.	16
[illegible], Calif.	35
[illegible], Long Island, N.Y.	54
[illegible]	11
[illegible], Nashville, Tenn.	6
[illegible], Va.	23
[illegible], Ariz.	39
[illegible], Pa.	32
[illegible], Passaic, N.J.	70
[illegible], Ariz.	96
[illegible], N.J.	98
[illegible], La.	66
[illegible], N.J.	71
[illegible], Mass.	19
[illegible], Boston, N.Y.	68
[illegible]	3
[illegible], N.J.	64
[illegible], N.J.	7
[illegible]	84
[illegible], Cleveland, Ohio	60
[illegible]	18
[illegible]	2
[illegible]	91
[illegible]	24
[illegible]	94
[illegible]	90
[illegible], N.Y.	80
[illegible]	4

Source: DSN research

Discounter Apparel Sales to Total $24.9B

Nationwide DSN Report

Apparel will continue to be the leading volume category for full-line discount department stores this year. Taken together, ladies', men's and children's wear will generate $24.9 billion in sales by year-end, according to *DSN* research.

On average, full-line discounters will devote some 17,800 square feet of selling space to these apparel categories, which will generate roughly 20 percent of total full-line discount store sales.

In home products, housewares products, including personal care, small electrics, non-electrics and RTA furniture, will be the leading volume category. Full-line discounters are expected to total $11.4 billion in housewares this year, while devoting an average of about 7,450 square feet of selling space per store to the category. Consumer electronics is expected to chip in another $6.3 billion at full-line discount stores.

Hardware, including paint, will generate the largest sales figure, $6.7 billion, in full-liners' hard lines area. Automotives will add another $5.5 billion, while health & beauty aids will contribute $5.9 billion to full-line discount stores' sales this year.

Full-Line Discount Store Productivity

Category	Discount Volume (In Billions)	Sales Per Store (In Thousands)	Dept. Size (In Sq. Ft.)	Annual Sales/ Sq. Ft.	Annual Turns	Percent Initial Markup	Percent Gross Margin
Ladies' Wear	$15.8	$1,948	10,000	$195.00	4.5	47.4%	31.3%
Housewares*	11.4	1,405	7,450	188.59	3.5	35.0	24.8
Men's/Boys' Wear	9.1	1,122	7,800	143.85	3.7	44.5	34.2
Hardware**	6.7	825	4,400	187.70	2.5	41.8	32.7
Consumer Electronics	6.3	776	2,300	337.65	3.3	30.0	17.2
Health & Beauty Aids	5.9	727	3,200	227.28	5.0	25.0	19.3
Automotives	5.5	678	2,400	282.50	2.8	33.8	25.2
Toys	4.6	567	2,560	221.48	2.9	37.0	27.2
Sporting Goods	4.0	493	2,500	197.20	2.0	37.2	28.5
Domestics	3.7	456	3,150	144.80	2.5	44.2	35.0
Photo	3.3	406	675	602.65	3.1	25.3	18.0
Stationery	2.4	295	1,875	157.76	3.5	47.0	41.6
Jewelry	1.7	209	650	322.30	2.1	49.2	40.5

*Includes personal care, small electrics, non-electrics and RTA furniture.
**Includes paint.
Note: Other categories totaled $9.7 billion. *Source: DSN research*

The Discount Industry's Top 100 Chains

1986	1985	Chain, Headquarters	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Earnings (Loss) (In Millions) 1986	Earnings (Loss) (In Millions) 1985	Percent Change	Store Count 1/87	Store Count 1/86	Store Count Proj. 12/87
1	1	K mart, Troy, Mich.	22,107	20,775	6	1,311[1]	1,058[1]	24	2,204	2,180	2,244
2	2	Wal-Mart, Bentonville, Ark.	10,200	7,674	33	846[1]	604[1]	40	980	859	1,100
3	3	Target, Minneapolis, Minn.	4,355	3,932	11	311[1]	278[1]	12	246	226	319
4	4	Zayre, Framingham, Mass.[2]	3,046	2,638	15	130	142	(8)	362	337	387
5	8	Price Club, San Diego, Calif.	2,590	1,834	41	59	46	28	34	24	39
6	5	Service Merchandise, Nashville, Tenn.	2,527	2,244	13	(34)[1]	32[1]	—	300	287	314
7	7	Toys "R" Us, Rochelle Park, N.J.	2,270	1,840	23	152	120	27	295	246	370
8	6	Best Products, Richmond, Va.	2,142	2,234	(4)	(26)	2	—	194	213	101
9	9	Bradlees, Braintree, Mass.	1,900	1,600	19	57[1]	31[1]	84	162	157	172
10	10	Ames, Rocky Hill, Conn.	1,888	1,513	25	54[1]	72[1]	(25)	321	306	348
11	22	Sam's, Bentonville, Ark.	1,678	775	117	NA	NA	—	49	23	84
12	11	Caldor, Norwalk, Conn.	1,411	1,338	5	75[1]	90[1]	(17)	114	109	118
13	12	Marshalls, Wakefield, Mass.	1,409	1,324	6	NA	NA	—	261	236	286
14	20	Meijer, Grand Rapids, Mich.	1,400	1,200	17	NA	NA	—	53	54	NA
15	13	Hills, Canton, Mass.	1,343	1,214	11	94[1]	74[1]	27	136	125	150
16	16	Rose's, Henderson, N.C.	1,199	1,009	19	24[1]	20[1]	18	222	204	240
17	19	Pay Less, Wilsonville, Ore.	1,123	1,003	12	NA	NA	—	218	183	246
18	17	Venture, O'Fallon, Mo.	1,100	1,004	10	80[1]	58[1]	38	65	62	69
19	21	T.J. Maxx, Framingham, Mass.	1,080	782	38	52[3]	44[3]	18	226	191	266
20	18	Fred Meyer, Portland, Ore.	1,074	1,004	7	23	19	16	93	93	97
21	25	Circuit City, Richmond, Va.	1,011	705	43	35	22	60	87	70	109
22	15	Gold Circle, Worthington, Ohio	969	1,058	(8)	32[1]	39[1]	(18)	76	76	76
23	23	ShopKo, Green Bay, Wis.	915	754	21	NA	NA	—	65	58	75
24	24	Western Auto, St. Louis, Mo.[4]	857	725	18	10	NA	—	2,049	2,269	2,032
25	49	Costco, Seattle, Wash.	747	367	104	5	2	148	38	21	50
26	30	Highland, Taylor, Mich.	656	520	26	20	23	(11)	53	40	73
27	27	Fedco, Santa Fe Springs, Calif.	650	555	17	NA	NA	—	9	8	NA
28	35	Herman's, Carteret, N.J.	630	420	50	NA	NA	—	200	131	230
29	31	Child World, Avon, Mass.	629	513	23	11	9	17	134	121	149
30	28	Jamesway, Secaucus, N.J.	612	542	13	12	9	30	101	91	116
31	55	PACE, Denver, Colo.	603	275	119	(1)	(8)	—	25	16	33
32	32	Silo, Pittsburgh, Pa.	600	500	20	NA	NA	—	119	111	160
33	33	Heck's, Nitro, W. Va.	566	523	8	(18)	(0)	—	172	166	129
34	26	Dollar General, Scottsville, Ky.	565	584	(3)	4	18	(76)	1,339	1,278	1,400
35	40	Ross Stores, Newark, Calif.	534	376	42	NA	NA	—	121	107	131
36	29	Alexanders, New York, N.Y.	520	520	0	4	NA	—	14	15	14
37	34	Pamida, Omaha, Neb.	504	460	10	NA	NA	—	167	160	170
38	67	BJ's Wholesale Club, Framingham, Mass.	499	249	100	NA	NA	—	16	8	21
39	NR	Shuck's Auto, Phoenix, Ariz.	490	385	27	NA	NA	—	500	475	NA
40	36	Family Dollar, Charlotte, N.C.	488	410	19	31	28	9	1,107	920	1,280
41	37	Kay Bee, Lee, Mass.	487	401	21	NA	NA	—	639	584	694
42	39	Pep Boys, Philadelphia, Pa.	485	389	25	28	21	33	177	159	212
43	44	Lechmere, Woburn, Mass.	476	349	36	20	20[1]	(2)	17	10	23
44	41	The Federated Group, City of Commerce, Calif.	430	364	18	(5)	11	—	65	59	65
45	80	Consolidated Stores, Columbus, Ohio	397	181	119	20	12	63	219	115	300
46	43	Burlington Coat, Burlington, N.J.	382	343	11	NA	NA	—	87	NA	100
47	NR	Auto Shack, Memphis, Tenn.	365	270	35	NA	NA	—	386	307	NA
48	59	Crazy Eddie, Edison, N.J.	353	262	34	11	13	(20)	32	23	40
49	45	Loehmann's, Bronx, N.Y.	351	322	9	NA	NA	—	90	81	NA
50	50	Hit or Miss, Stoughton, Mass.	345	310	11	NA	NA	—	461	428	501
51	42	ALCO, Abilene, Kan.	344	363	(5)	(3)	NA	—	148	150	150
52	46	Consumers Distributing, Edison, N.J.	328	312	5	1	(2)	—	90	89	95
53	47	Oshman's, Houston, Tex.	323	312	4	8[1]	9[1]	(9)	214	209	NA
54	48	S.E. Nichols, New York, N.Y.	319	310	3	2	4	(47)	45	44	46
55	52	OTASCO, Tulsa, Okla.	309	288	7	NA	NA	—	575	579	NA
56	54	Pic 'N Save, Carson, Calif.	305	278	10	40	41	(3)	101	94	121
57	78	Price Savers, Salt Lake City, Utah	300	200	50	NA	NA	—	6	5	12
58	51	Malone, Cincinnati, Ohio	300	240	25	NA	NA	—	4	4	4
59	57	Clover, Philadelphia, Pa.	300	273	10	NA	NA	—	21	20	21
60	58	Value City, Columbus, Ohio	292	265	10	NA	NA	—	38	38	NA
61	63	Fisher's Big Wheel, New Castle, Pa.	290	245	18	NA	NA	—	81	81	NA
62	62	Lionel Leisure, Philadelphia, Pa.	283	246	15	9	2	358	65	52	80
63	68	Fretter, Livonia, Mich.	273	214	28	NA	NA	—	45	39	55
64	NR	Tops Appliances, Edison, N.J.	260	185	41	NA	NA	—	2	2	2
65	70	Chief Auto, Dallas, Tex.	256	246	4	NA	NA	—	485	466	NA
66	NR	Super Saver, Florence, La.[5]	254	77	230	(18)	(7)	—	20	9	0
67	69	Filene's, Wellesley, Mass.	252	213	18	NA	NA	—	22	17	22
68	56	TSS-Seadman's, Brooklyn, N.Y.	252	240	5	NA	(2)	—	18	19	18
69	66	Ann & Hope, Providence, R.I.	250	215	16	NA	NA	—	7	6	7
70	61	Stop Uniforms, Secaucus, N.J.	240	255	(6)	NA	NA	—	237	255	337
71	65	Syms, Lynhurst, N.J.	240	255	(6)	NA	NA	—	17	15	NA
72	NR	Best Buy, Minneapolis, Minn.	239	113	112	8	4	93	23	16	40
73	64	Bi-Mart, Eugene, Ore.	236	232	2	1[1]	3[1]	(70)	36	33	NA
74	75	Audio-Video Affiliates, Dayton, Ohio	229	182	26	8	8	0	106	78	131
75	NR	Fortunoff, Westbury, N.Y.	223	200	12	NA	NA	—	3	3	3
76	86	Newmark & Lewis, Pt. Jervis, N.Y.	214	142	51	6	4	50	34	25	42
77	74	Brendles, Flkin, N.C.	211	197	7	7	7	8	35	31	42
78	72	Nationwise, Columbus, Ohio	200	175	14	NA	NA	—	174	160	200
79	60	Cook United, Maple Heights, Ohio	200	257	(22)	NA	(31)	—	41	49	3
80	NR	The Wiz, New York, N.Y.	200	168	19	NA	NA	—	19	17	22
81	77	Big Five, Los Angeles, Calif.	190	175	9	NA	NA	—	94	89	NA
82	76	Hartz, Columbus, Ohio	187	181	3	9	9	6	28	27	35
83	84	Rich's, Salem, Mass.	185	156	18	3	NA	—	19	17	22
84	NR	Trak Auto, Landover, Md.	183	144	27	1	1	63	245	212	NA
85	87	Dress Barn, Stamford, Conn.	175	135	30	NA	NA	—	235	NA	300
86	79	Grand Auto, Oakland, Calif.	166	168	(1)	0	3[1]	(96)	121	113	NA
87	73	Geo Bee, Johnstown, Pa.	162	185	(12)	4	NA	—	21	21	22
88	91	ClothesTime, Anaheim, Calif.	161	127	27	NA	NA	—	263	NA	343
89	NR	American TV, Madison, Wis.	160	151	6	NA	NA	—	6	6	6
90	NR	The Wholesale Club, Indianapolis, Ind.	158	76	108	NA	NA	—	11	5	16
91	NR	Warehouse Club, Niles, Ill.	157	89	76	NA	NA	—	14	7	12
92	81	Danners, Indianapolis, Ind.[6]	150	160	(6)	(19)	(1)	—	18	35	0
93	NR	Greenman Bros., Farmingdale, N.Y.	150	110	36	NA	NA	—	310	304	341
94	NR	Whitlock, Des Plaines, Ill.	150	115	30	NA	NA	—	177	162	NA
95	82	Quality Stores, N. Muskegon, Mich.	149	160	(7)	NA	NA	—	42	42	48
96	95	Smitty's, Phoenix, Ariz.	145	124	17	NA	NA	—	15	15	NA
97	NR	Auto Works, Pontiac, Mich.	145	127	14	NA	NA	—	226	176	NA
98	89	Spartmart, Niles, Ill.	141	129	9	NA	NA	—	12	12	16
99	98	Prange Way, Green Bay, Wis.	140	128	9	NA	NA	—	20	20	20
100	NR	Luskin's, Madison, Wis.	140	110	27	NA	NA	—	54	53	58

Some percentages based on actual numbers before rounding
Sales represent general merchandise sales only; excluding supermarket sales
NR-not ranked
NA-not available
[1]Earnings represent profit or loss from continuing operations, before income taxes and extraordinary items
[2]Sales figures include Zayre discount stores only
[3]Includes Hit or Miss and Chadwick's of Boston
[4]Includes company-owned stores and wholesale sales to franchisers
[5]Acquired by Wal-Mart in June 1987
[6]Acquired by Maxway in April 1987

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT

The Leading Discount Chains

Sales Volume Leaders

Chain, Headquarters	Sales (In Millions) 1986	1985	Percent Change
K mart, Troy, Mich.	22,107	20,775	6
Wal-Mart, Bentonville, Ark.	10,200	7,674	33
Target, Minneapolis, Minn.	4,355	3,932	11
Zayre, Framingham, Mass.	3,046	2,638	15
Sam's, Bentonville, Ark.	2,678	1,834	46
Service Merchandise, Nashville, Tenn.	2,527	2,244	13
Toys "R" Us, Rochelle Park, N.J.	2,270	1,840	23
Best Products, Richmond, Va.	2,142	2,234	(4)
Bradlees, Braintree, Mass.	1,900	1,800	19
Ames, Rocky Hill, Conn.	1,888	1,513	25
Sam's, Bentonville, Ark.	1,678	775	117
Caldor, Norwalk, Conn.	1,411	1,338	5
Marshalls, Wakefield, Mass.	1,409	1,324	6
Meijer, Grand Rapids, Mich.	1,400	1,200	17
Hills, Canton, Mass.	1,343	1,214	11

Profit Leaders (Net or Operating Income)

Chain, Headquarters	Earnings (Loss) (In Millions) 1986	1985	Percent Change
K mart, Troy, Mich.	1,311.0	1,058.0	24
Wal-Mart, Bentonville, Ark.	846.0	603.6	40
Target, Minneapolis, Minn.	311.0	277.8	12
Toys "R" Us, Rochelle Park, N.J.	152.2	119.8	27
Zayre, Framingham, Mass.	129.9	141.9	(8)
Hills, Canton, Mass.	94.4	74.1	27
Venture, O'Fallon, Mo.	80.0	58.0	38
Caldor, Norwalk, Conn.	75.0	90.0	(17)
Price Club, San Diego, Calif.	58.9	46.0	28
Bradlees, Braintree, Mass.	56.6	30.7	84
Ames, Rocky Hill, Conn.	54.8	72.4	(25)
T. J. Maxx, Framingham, Mass.	52.2	44.2	18
Pic 'N Save, Carson, Calif.	39.8	41.1	(3)
Circuit City, Richmond, Va.	35.3	22.0	60
Gold Circle, Worthington, Ohio	31.8	39.0	(18)

Store Count Leaders

Chain, Headquarters	Store Count 1/87	1/86	Proj. 12/87
K mart, Troy, Mich.	2,204	2,180	2,244
Western Auto, St. Louis, Mo.	2,049	2,269	2,032
Dollar General, Scottsville, Ky.	1,339	1,278	1,400
Family Dollar, Charlotte, N.C.	1,107	920	1,280
Wal-Mart, Bentonville, Ark.	980	859	1,100
Kay Bee, Lee, Mass.	639	584	694
OTASCO, Tulsa, Okla.	575	579	NA
Shuck's Auto, Phoenix, Ariz.	500	475	NA
Chief Auto, Dallas, Tex.	485	466	NA
Hit or Miss, Stoughton, Mass.	461	428	501
Auto Shack, Memphis, Tenn.	386	307	NA
Zayre, Framingham, Mass.	362	337	387
Ames, Rocky Hill, Conn.	321	306	348
Greenman Bros., Farmingdale, N.Y.	310	304	341
Service Merchandise, Nashville, Tenn.	300	287	314

Selling Space Leaders

Chain, Headquarters	Total Footage (In 000 Sq. Ft.) 1/87	Number of Stores 1/87	Average Store Size (In 000 Sq. Ft.)
K mart, Troy, Mich.	132,700	2,204	60
Wal-Mart, Bentonville, Ark.	63,300	980	65
Target, Minneapolis, Minn.	24,260	246	99
Zayre, Framingham, Mass.	19,235	362	53
Ames, Rocky Hill, Conn.	16,300	321	51
Pay Less, Wilsonville, Ore.	11,200	218	51
Caldor, Norwalk, Conn.	10,744	114	94
Fred Meyer, Portland, Ore.	9,212	93	99
Hills, Canton, Mass.	8,872	136	65
Toys "R" Us, Rochelle Park, N.J.	8,500	295	29
Gold Circle, Worthington, Ohio	8,259	76	109
Rose's, Henderson, N.C.	8,160	222	37
Marshalls, Wakefield, Mass.	7,980	261	31
Family Dollar, Charlotte, N.C.	7,749	1,107	7
Dollar General, Scottsville, Ky.	7,500	1,339	6

The Fastest Growing Discount Chains

Top 10 in Dollar Sales Growth

Chain, Headquarters	Sales (In Millions) 1986	1985	Dollar Sales Growth
Wal-Mart, Bentonville, Ark.	10,200	7,674	2,526
K mart, Troy, Mich.	22,107	20,775	1,332
Sam's, Bentonville, Ark.	1,678	775	903
Price Club, San Diego, Calif.	2,590	1,834	756
Toys "R" Us, Rochelle Park, N.J.	2,270	1,840	430
Target, Minneapolis, Minn.	4,355	3,932	423
Zayre, Framingham, Mass.	3,046	2,638	408
Costco, Seattle, Wash.	747	367	380
Ames, Rocky Hill, Conn.	1,888	1,513	375
PACE, Denver, Colo.	603	275	328

Top 10 in Percentage Sales Growth

Chain, Headquarters	Sales (In Millions) 1986	1985	Percent Change
Super Saver, Monroe, La.	254	77	230
Consolidated Stores, Columbus, Ohio	397	181	119
PACE, Denver, Colo.	603	275	119
Sam's, Bentonville, Ark.	1,678	775	117
Best Buy, Minneapolis, Minn.	239	113	112
The Wholesale Club, Indianapolis, Ind.	158	76	108
Costco, Seattle, Wash.	747	367	104
Bj's Wholesale Club, Framingham, Mass.	499	249	100
Warehouse Club, Niles, Ill.	157	89	76
Newmark & Lewis, Hicksville, N.Y.	214	142	51

Top 10 in Earnings Growth

Chain, Headquarters	Earnings (Loss) (In Millions) 1986	1985	Percent Change
Morel Lebero, Philadelphia, Pa.	8.7	1.9	358
Costco, Seattle, Wash.	4.5	1.8	148
Best Buy, Minneapolis, Minn.	7.7	4.0	73
Bradlees, Braintree, Mass.	56.6	30.7	84
Trak Auto, Landover, Md.	1.3	0.8	63
Consolidated Stores, Columbus, Ohio	19.5	12.0	63
Circuit City, Richmond, Va.	35.3	22.0	60
Newmark & Lewis, Hicksville, N.Y.	5.7	3.8	50
Luskey Pawnline, Dallas, Tex.	3.6	2.5	44
Wal-Mart, Bentonville, Ark.	846.0	603.6	40

Top 10 in Store Count Growth

Chain, Headquarters	Store Count 1/87	1/86	Number of New Units
Family Dollar, Charlotte, N.C.	1,107	920	187
Wal-Mart, Bentonville, Ark.	980	859	121
Consolidated Stores, Columbus, Ohio	219	115	104
Auto Shack, Memphis, Tenn.	386	307	79
Herman's, Carteret, N.J.	200	131	69
Dollar General, Scottsville, Ky.	1,339	1,278	61
Kay Bee, Lee, Mass.	639	584	55
Auto Works, Pontiac, Mich.	226	176	50
Toys "R" Us, Rochelle Park, N.J.	295	246	49
Pay Less, Wilsonville, Ore.	218	183	35

NA— not available

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT

Top 20 Discounters Increase 13% to $56B

(Continued from page 22)

try's elite. Last year, sales at Wal-Mart's 7,674 discount stores climbed 33 percent to $10.2 billion. Its Sam's Wholesale Club division joined the billion dollar club and is poised to pass the long-time membership club leader Price Club this year. And Wal-Mart cemented its reputation as one of the most innovative retailers with the planned rollout of two new hypermarket formats this year.

- Target's sales rose 11 percent last year, as its parent, Dayton Hudson Corp., acquired over 78 Gemcos from Lucky Stores for about $440 million in late 1986. In addition to beefing up Target's presence in the Southern California market, the Gemco-converted stores also give Target a chance to enter the San Francisco Bay Area and the state's Central Valley region.

The upscale retailer is also scheduled to open three stores in Las Vegas and six stores in metropolitan Detroit. Target also announced plans to enter the Pacific Northwest, where it hopes to be operating up to 35 units by 1993.

- Zayre Stores, which last month lost its chairman when Malcolm Sherman resigned, topped $3 billion in sales last year despite reduced pretax earnings of $129.9 million, down from $141.9 million the previous year. Over the past three years, same store sales increases have declined, from a 10.4 percent gain in 1984 to 4.3 percent in 1986.

Zayre Stores, with 362 locations at year-end 1986, plans to add 25 stores this year. The spin-off of the company's apparel divisions, T.J. Maxx, a newcomer to the billion dollar club last year, Hit or Miss, and Chadwick's of Boston, will facilitate plans to add 35 units to T.J. Maxx's 226-store total and 50 units to Hit or Miss' 461 store base.

- Bradlees' sales rose 19 percent to $1.9 billion, as the upscale discounter took steps to reduce overhead and improve profitability. Parent Stop & Shop's confidence in the resurgence of its discount store arm is illustrated by plans to open 10 new Bradlees stores in 1987 and to increase the pace of existing store renovations.
- An $18 million inventory shortage marred Ames' record sales of nearly $1.9 billion last year as the company assimilated its Murphy's Mart acquisition of 1985. First quarter 1987 sales are up 19 percent from last year's period and net profits showed a 20 percent gain.
- The combination of May Department Stores' Caldor and Venture divisions gives the company the fifth highest sales total of all the full-liners. Caldor, acquired by May from Associated Dry Goods in 1986, posted sales of $1.4 billion, a 5 percent rise. The more profitable Venture division experienced a 10 percent sales gain to $1.1 billion last year. While the company has no plans to merge the two divisions, it appears that with an influx of several Venture executives to positions with Caldor, many operating formulas of the successful Venture Stores will be incorporated into the East Coast chain.

Other full-line discounters that experienced double-digit sales gains last year included Hills, Rose's, ShopKo, Fedco, Jamesway and Pamida.

Top Specialty Chains

Chain	1986 Sales (In Mil.)	Chain	1986 Sales (In Mil.)
Toys "R" Us	$2,270	Stuck's Auto	$490
Marshalls	1,409	Kay Bee	487
T.J. Maxx	1,080	Pep Boys	485
Circuit City	1,011	The Federated Group	430
Western Auto	857	Burlington Coat	382
Highland	656	Auto Shack	365
Hechinger's	630	Crazy Eddie	353
Child World	629	Loehmann's	351
Silo	600	Hit or Miss	345
Ross Stores	534	Dshman's	323

Source: DSN research

Specialty Retailers Outpace Full-Line Chains with 5% Growth

Nationwide DSN Report

Specialty stores will continue to outpace full-line discounters in sales growth this year. These product category specialists, including off-price apparel, toys, consumer electronics, automotives and sporting goods chains, will generate about $19 billion in sales this year, up 5 percent from 1986.

The number of billion dollar specialty chains doubled last year to four, as T.J. Maxx and Circuit City joined Toys "R" Us and Marshalls at the top of the specialty chain lineup.

Toys "R" Us, with nearly $2.3 billion in sales, remained far ahead of the top toy chains in total sales last year, while the fastest grower by percentage sales gain was Toys Plus, a 34-store, St. Charles, Mo.-based toy chain, which grew 59 percent to $27 million.

Marshalls, the off-price division of Melville Corp., and T.J. Maxx, Zayre Corp.'s off-price chain, remained Nos. 1 and 2, respectively, dominating the remainder of the off-price apparel segment.

Circuit City became the first CE chain to reach the $1 billion mark in sales with a 43 percent gain. However, a shakeout among consumer electronics chains, which began in 1986 with the closing of Pacific Stereo, is expected to continue in 1987 due to flattening sales and rapid expansion of many retailers into each other's markets.

Schuck's acquisition of Lucky Stores' automotives division last year propelled the Phoenix-based chain to the No. 2 spot among automotive specialty chains and 11th nationally among all specialty retailers. Western Auto went public last year and purchased a chain of tire stores. Pep Boys continued its aggressive expansion, which resulted in a 25 percent sales gain last year. And Auto Shack was spun off by its parent, Malone and Hyde, in preparation for going public. Overall, automotive chains experienced some of the most impressive sales gains of all specialty retailers last year, as seven chains reported sales increases ranging from 14 percent to 35 percent.

The big got bigger among the sporting goods specialty retailers. Herman's, the industry leader in sales, bought Utah-based Sunset Sports (40 stores) last August and added another 40 new stores. And Thrifty Corp., parent of Big 5 Stores, purchased Gart Brothers and retailer Michigan Sporting Goods.

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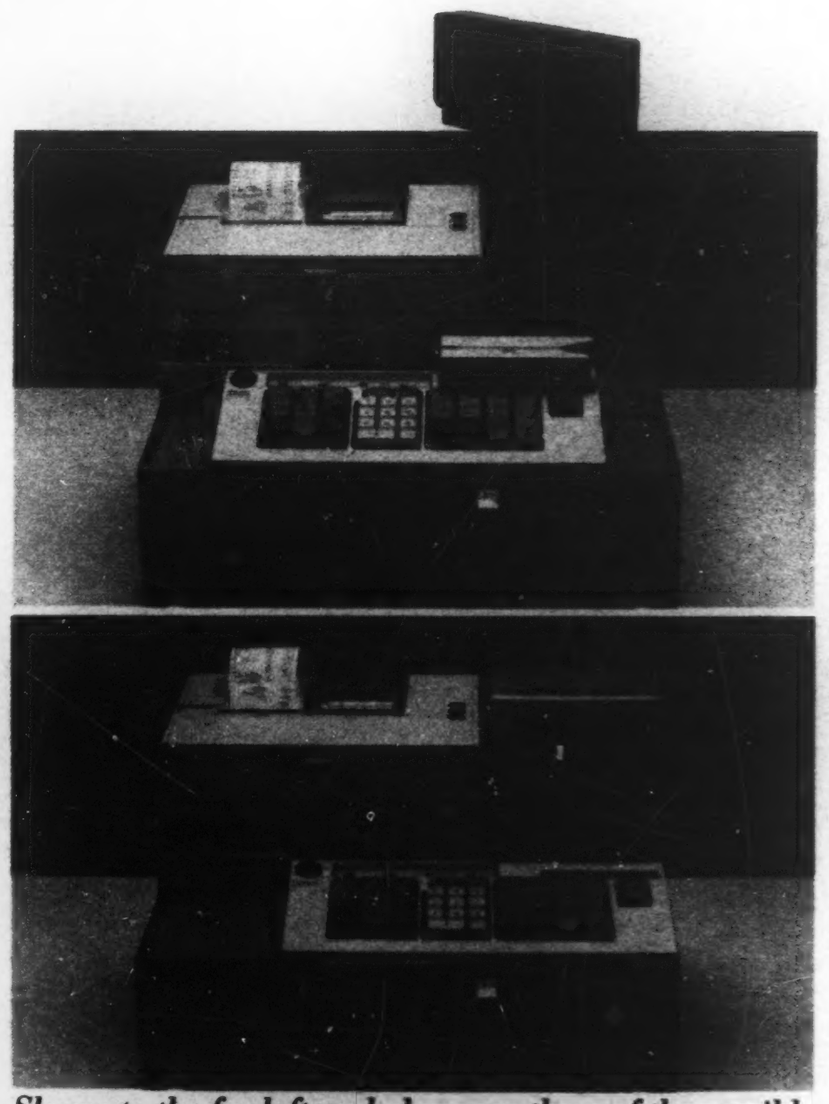

Shown to the far left and above are three of the possible configurations of the IBM 4683 Point of Sale Terminals.

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1B Dollar Club Adds 3, Loses 2

Nationwide DSN Report

Three chains joined the ranks of the billion dollar discounters last year, but two dropped out, leaving the billion dollar club with a net gain of one new member in 1986.

The newest billion dollar chains were: Wal-Mart's Sam's Wholesale Club division, which registered nearly $1.7 billion in sales last year; Zayre's T.J. Maxx off-price apparel chain, which hit close to $1.1 billion in 1986; and Circuit City, the consumer electronics specialty chain, which cracked the billion dollar mark for the first time last year.

The billion dollar dropouts were: Gemco, which was closed and sold to Target last year; and Gold Circle, which suffered an 8 percent sales decline to $969 million last year.

Since 1980, the billion dollar club has grown from seven chains generating about $22 billion to 21 chains generating almost $67 billion in 1986.

Billion Dollar Club

Chain	1986 Sales (In Bil.)
K mart	$22.11
Wal-Mart	10.20
Target	4.36
Zayre	3.05
Price Club	2.59
Service Merchandise	2.53
Toys "R" Us	2.27
Best Products	2.14
Brad lees	1.90
Ames	1.89
Sam's	1.68
Caldor	1.41
Marshalls	1.41
Meijer	1.40
Hills	1.34
Roses	1.20
Dayton	1.12
Venture	1.10
T.J. Maxx	1.08
Fred Meyer	1.07
Circuit City	1.01

General merchandise sales only

Source: DSN research

Top Warehouse Clubs Dominate Industry in Sales, Units

Nationwide DSN Report

Explosive is the only word to describe the continuing growth of the membership warehouse club industry.

The industry's volume is expected to hit $11.8 billion this year, up 45 percent from $8 billion, with the top 10 chains leading the charge.

Despite this bright glow surrounding the membership warehouse industry and particularly its 10 leading chains, there are some dark spots. The blackest is the red ink that's been flowing across the bottom of most companies. Only the Price Club and Costco, among the publicly held chains, are profitable, while discounter Wal-Mart acknowledges that its Sam's division is also profitable.

Both the Warehouse Club and The Wholesale Club lost money last year, while Kroger has said that its Price Saver division did the same but expected the wholesale club chain to turn the corner this year. BJ's parent, Zayre Corp., hasn't broken out any specific financial information on the membership warehouse.

Two Chains Closing in '86

The other negative factor is the closing of two chains, Value Club and Money's Worth, along with the Warehouse Club shutting two of its trio of stores in the Chicago market.

In pacing the industry's growth, the top 10 membership warehouses last year saw their sales jump 74.2 percent to $7.29 billion from $4.18 billion in 1985. Meanwhile, their store count went up 41.6 percent to 187 wholesale clubs from 132 units. Their store count is expected to jump 50.3 percent this year and reach 281 units.

While the 20-company business as a whole has shown remarkable growth, the top 10 chains are the core force driving the industry, with two, the Price Club and Sam's, the premier wholesale clubs in sales and stores.

These 10 companies accounted for 91.1 percent of the industry sales in 1986, down slightly from 92.9 percent in the previous year. On the store side of the ledger, the top companies accounted for 82 percent of the units, down 14.9 percent from 96.4 percent.

The slight declines in the overall standing of the top 10 chains is due to the entry and growth of a number of newcomers like Saveco and Save Club in California, Net Cost Club in Pennsylvania and American Wholesale Club and Team in Texas.

As for the two leaders, the Price Club's sales in 1986 increased 41 percent from the prior year while Sam's jumped 117 percent. The Price Club accounted for 32.4 percent of the industry's volume last year while Sam's share was 21 percent. In 1985, the Price Club's portion was 43.9 percent and Sam's had an 18.5 percent share.

The battle for Los Angeles reflects the rapid maturing of the membership warehouse industry during the past two years, forcing chains to expand in markets where there already are wholesale clubs.

The more rapid growth exhibited by Sam's, the membership warehouse division of discounter Wal-Mart, augers a noteworthy change in the wholesale club business: Sam's this year is poised to replace the Price Club, the founding and leading membership warehouse, as the premier chain in the industry in sales and stores.

Sam's leap into the top spot reflects its parent company's drive to try and dominate the industry by sheer number of stores through the rapid opening of as many units as possible—an expansion route the discounter itself pursues. Sam's expansion received a big boost when its parent acquired the 20-store Super Savers Wholesale Warehouse chain, with 15 units due to become Sam's.

The Price Club, not to be outdone by Sam's growth, plans to undertake its greatest expansion ever by opening a dozen wholesale clubs this year while replacing three older units, with about one quarter of the stores set for the Los Angeles market. The chain has also such new services as travel, purchase of cars and furniture, optical and pharmacy.

Price Club's opening more stores in the Los Angeles market denotes how competitive that area has become. Once home to only the Price Club, Los Angeles has seen Costco, PACE, Buyer's Club Price Saver, Save Club and Saveco together open more than a dozen stores there in the past nine months.

The battle for Los Angeles reflects the rapid maturing of the membership warehouse industry during the past two years, forcing chains to expand in markets where there already are wholesale clubs.

There are at least two different membership warehouses competing in a growing number of the nation's leading cities. The lineup includes:

- Price and BJ's in New York;
- BJ's and Warehouse Club in Chicago (with American Wholesale Club planning to enter the market in the fall);
- BJ's, Makro and Net Cost Club in Philadelphia;
- Sam's and American Wholesale in Dallas-Fort Worth;
- PACE and Warehouse Club in Detroit;
- PACE and Price Club in Baltimore;
- Costco, The Wholesale Club and Price Savers in Minneapolis/St. Paul;
- Buyers Club and PACE in Denver;
- Sam's and Costco in Orlando, Fla.;
- The Wholesale Club and Warehouse Club in Columbus, Ohio;
- Costco and PACE in Tampa/St. Petersburg, Fla.

The competition has resulted in membership warehouses trying to develop a unique identity by offering services or benefits that competitors don't. Such moves include PACE offering its own credit card, while BJ's, Price Savers, Saveco and Net Cost Club have allowed FundNet, an outside service, to install a system that enables shoppers to access their credit card line for funds to use in the wholesale clubs.

The growth of the full-line membership warehouses has sparked an offshoot, specialty wholesale clubs like the Home Club and SportsClub. These companies use the membership warehouse format for the marketing of an overwhelming assortment of goods in one category. The 28-unit Home Club, also an arm of BJ's parent Zayre Corp., centers on hardware, lumber and building supplies, while the startup SportsClub, which aims to have a dozen units by the end of the year, offers sporting goods hard lines and apparel.

Top Membership Warehouse Clubs

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Number of Stores 1985
Price Co. (Calif.)	$2,550	$1,834	39%	39	27	24
Sam's (Ark.)	1,678	775	117	84	49	23
Costco (Wash.)	747	367	104	57	37	17
PACE (Colo.)	603	275	119	32	25	16
BJ's Wholesale Club (Mass.)	499	249	100	24	15	11
Makro (Ohio)	300	240	25	5	4	4
Price Savers (Utah)	300	200	50	16	6	5
Super Saver* (La.)	254	77	230	—	20	9
The Wholesale Club (Ind.)	158	76	108	16	11	5
Warehouse Club (Ill.)	157	89	76	12	14	7

*Super Saver was acquired in June by Wal-Mart Stores, parent of Sam's.

Source: DSN research

Seattle-based Costco has added 20 new units each year since 1985. The chain plans to have a total of 50 membership warehouses by year-end.

Sam's Wholesale Club is poised to become the No. 1 membership warehouse club, with 1986 sales increasing 117% to $1.68 billion. (DSN photos)

Top Automotive Chains Change Hands in Volatile 1986

Nationwide DSN Report

A public debut, acquisitions, a planned divestiture and preparations to go public, along with a move into electronic POS scanning, were some of the major happenings among the nation's leading automotives specialty retailers last year:

- In a case of a minnow's swallowing a whale, Schuck's, a chain of 96 stores, acquired 378 stores of the auto division of Lucky Stores for $155 million. Schuck's, which has moved its headquarters to Phoenix, Ariz., from the Seattle area, is considering going public—perhaps as early as next year.
- Western Auto, St. Louis, went public as an independent concern, giving the industry and the investing public the first look at financials since Beneficial Corp. bought the nation's largest auto chain in 1961. At the same time it went public, Western Auto bought Tire America, a chain of 52 tire stores that boosted its consolidated sales figures by $87 million.
- Malone and Hyde, the largest grocery wholesaler in the South, spun off its Auto Shack division, which is based in Memphis, as a separate corporation, a move that paves the way for taking the chain public.
- Grand Auto, Oakland, Calif., the only top chain to lose sales ground in 1986, put itself on the auction block earlier this year, but no one made an offer its board couldn't refuse.
- Whitlock Corp., now in Des Plaines, Ill., acquired the Rose Auto chain in Florida, and in turn, Great Britain's largest auto chain acquired Whitlock from its British owners.
- Trak Auto, Landover, Md., part of the Dart Group, bought a partner's half interest in the Trak West division after the partner, Thrifty Corp., was acquired by another concern.

Western Auto was taken private in December 1985 when N.J.-based Wesray, the corporation headed by former treasury secretary William Simon, bought it from Beneficial. Wesray took the chain public in January 1987, the same month it acquired Tire America.

Western's annual report shows that a long-term trend toward increasing the number of company stores is underway, along with a parallel trend of closing franchised stores and weaning surviving stores away from a merchandise mix of automotives, lawn & garden, consumer electronics and appliances, and putting them on a stricter diet of automotives.

In 1986, it closed a net of 124 franchised stores, leaving a total of 1,744, and opened 40 company-owned stores, for a total of 253. In comparison, Western Auto had 2,554 franchised stores in 1982. These stores were mostly in small, rural towns.

Because of the drop in franchised stores, wholesale revenues fell by 10 percent in 1986. And this, in turn, enriched the retail component of Western Auto's sales mix.

Precise consolidated sales figures for the Schuck's group, which now includes the Kraggen and Checker units of Lucky Auto, are difficult to come by, and the private company declined to release them. A company official says, however, that its 1986 consolidated sales of between $490 million and $500 million puts it ahead of Philadelphia-based The Pep Boys—Manny, Moe & Jack, which reported 1986 sales of $487 million.

Fred Nelson, director of advertising and corporate relations, said Schuck's is considering going public, perhaps as early as 1988. But that won't happen until the company integrates its acquisitions into its new POS system.

Auto Shack, which its food parent started in 1979, now operates 386 stores and intends to open 80 stores a year. Now that Auto Shack has become a separate legal entity, Malone and Hyde has set the stage for taking the automotives firm public. But that won't happen for at least three years, a company spokesperson said.

In another development, Auto Shack settled a lawsuit with Tandy Corp., which operates the Radio Shack chain, by agreeing to drop the word shack from its name by 1989. An employee contest to pick a new name is underway.

In an effort to boost flat sales, Grand Auto, Oakland, Calif., increased by more than a third the number of parts and accessories sku's it carries. Nonetheless, its board retained Shearson Lehman last spring to find a suitable takeover partner.

President John F. Goodsell announced last month that the board rejected a number of purchase offers from unidentified suitors. But he said Shearson continues to evaluate a possible sale or restructuring.

Whitlock boosted its store count by 40 when it acquired the Rose Auto chain in Florida late last year. In turn, Ward White, which operates the 380-unit Halfords automotives chain in Britain, acquired Whitlock from another British group, LCP Holdings, and moved corporate headquarters to Des Plaines, outside Chicago.

Trak Auto, a public corporation controlled by Herbert Haft and his son, Robert, of the Dart Group, has consolidated sales figures for its Western division, now that Thrifty sold back its partnership in that division.

The Pep Boys—Manny, Moe & Jack, apparently has been nudged out of the No. 2 spot in sales by Shuck's acquisition of the Lucky unit. It continues an aggressive expansion drive that will carry it into Atlanta, from previous expansion centers in Dallas and Los Angeles.

The Pep Boys continues to derive strength from operating stores more than three times the size of many competitors and installing the parts its sells as the do-it-yourself movement loses steam.

Chief Auto, Dallas, a division of the Southland Corp. (7-Eleven convenience stores), is capitalizing on its Texas and California base by beginning to advertise in Spanish in newspapers and on radio and TV. Hispanic customers comprise about 20 percent of Chief's customers.

In a move that takes them into the mainstream of retailing technology, Chief, Pep Boys, Nationwise, Auto Works and other chains are installing slot scanners in their stores. (See *DSN*, July 6, 1987).

In addition, Whitlock is completing the installation of electronic POS equipment in all its stores at a cost of $3 million. And Shuck's is integrating the stores acquired from Lucky into its POS system.

In the case of Chief, efficiency studies showed that slot scanners are superior to hand-held wands. Moreover, slot scanners have dropped significantly in price.

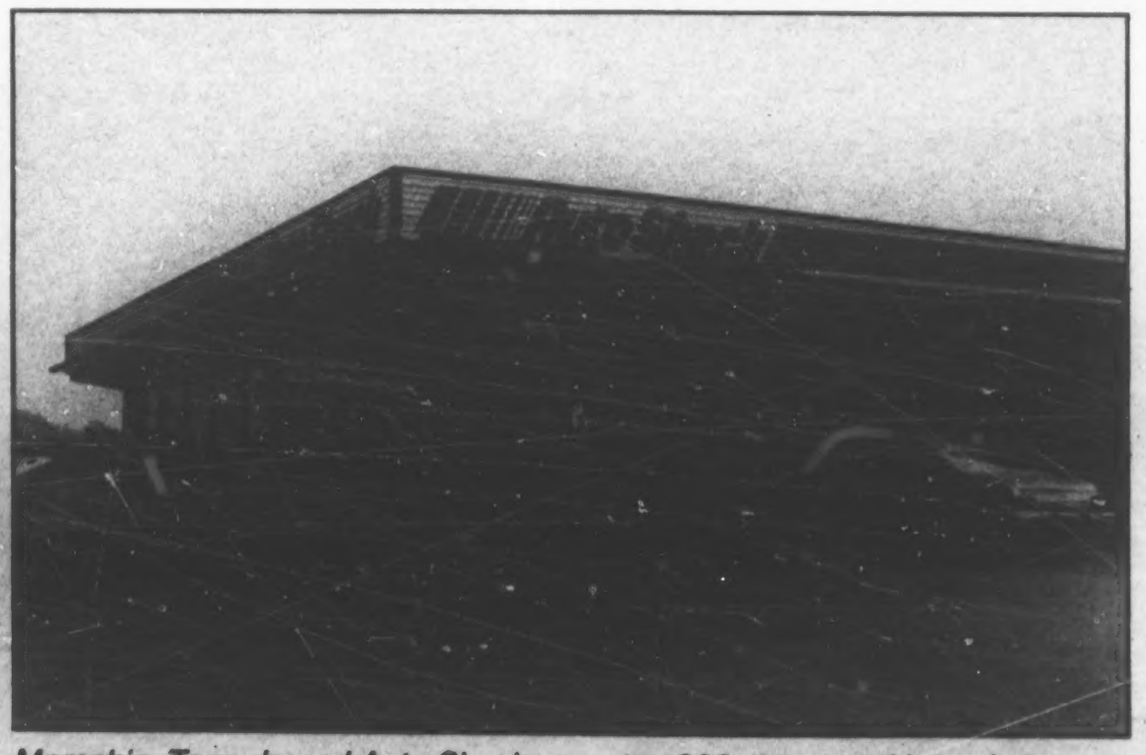
Top Automotive Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)
Western Auto (Mo.)	$760[A]	$721	5%	2,032	1,997	7,000
Shuck's Auto (Ariz.)	490[B]	385	27	500	474	4,000
Pep Boys (Pa.)	486	389	25	212	177	17,600
Auto Shack (Tenn.)	365	270	35	386	306	5,400
OTASCO (Okla.)	309[A]	288	7	575	575	7,000
Chief Auto (Texas)	256	246	4	485	465	3,250
Nationwise (Ohio)	200	175	14	200	174	6,000
Trak Auto (Md.)	183[C]	144	27	245	212	6,000
Grand Auto (Calif.)	166	168	(1)	121	113	12,500
Whitlock (Ill.)	150[D]	115	30	177	162	13,000
Auto Works (Mich.)	145	127	14	226	176	5,000

[A]Includes sales from company-owned stores and wholesale revenues from franchisers.
[B]Includes totals for Lucky Auto division, acquired December 1986.
[C]Includes results for Trak West division, acquired in 1987.
[D]Includes results for Rose Auto Stores, acquired October 1986.

Source: DSN research

Western Auto is increasing the number of company stores (opening 40 in 1986 for a total of 253), closing franchised stores (124 in 1986 for a total of 1,744) and refining the mix at surviving stores to more strictly just automotives.



Memphis, Tenn.-based Auto Shack operates 386 stores and intends to open 80 stores a year. The chain was spun off by its parent Malone and Hyde to set the stage for taking the automotive firm public in about three years. (DSN photos)

ANNUAL REPORT — CE SPECIALTY CHAINS

CE Chains Expand Rapidly in Battle for Market Share

Nationwide DSN Report

A shakeout among consumer electronics chains, which began in 1986 with the closing of Pacific Stereo, is expected to continue in 1987 due to flattening sales and rapid expansion of many retailers into each other's markets.

Six leading consumer electronics chains have moved up over the last year to be included in the nation's top 15 CE chains. Ranked seventh in the country is an Edison, N.J.-based two-store chain, Tops Appliances, which grew 41 percent from $185 million to $260 million in 1986.

The fastest growing chain last year, Minneapolis-based Best Buy, took over the eighth position, with a 112 percent increase from $113 million to $239 million in 1986. American TV, a six-store chain based in Madison, Wis., grew 6 percent last year to become the 12th leading CE chain in the country with sales of $160 million.

The other three newcomers to the *DSN* list of the top CE specialists, The Wiz, Trader Horn and Brick Church, all compete in the greater New York market, one that is so competitive that even Circuit City, the nation's leader, exited it in 1986. New York-based The Wiz, the 11th largest CE chain in the country, posted a sales increase of 19 percent to $200 million from $168 million. Hasbrouck Heights, N.J.-based Trader Horn saw its sales increase 4 percent to $135 million from $130 million, snaring the 14th slot. Brick Church is now the 15th leading CE chain, with a sales increase of 25 percent from $80 million to $100 million.

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)
Circuit City (Va.)	$1,010	$705	43%	110	87	32,000
Highland (Mich.)	656	521	26	63	53	22,000
Silo (Pa.)	600	500	20	160	120	8,000
The Federated Group (Calif.)	430	364	18	65	59	30,000
Crazy Eddie (N.J.)	353	262	35	40*	32	8,000
Fretter (Mich.)	273	214	28	55	45	15,000
Tops Appliances (N.J.)	260	185	41	2	2	50,000
Best Buy (Minn.)	239	113	112	40	23	28,000
Audio-Video Affiliates (Ohio)	229	182	26	131	106	20,000
Newmark & Lewis (N.Y.)	214	142	51	42	34	9,000
The Wiz (N.Y.)	200	168	19	22	19	8,000
American TV (Wis.)	160	151	6	6	6	100,000
Lustig's (Pa.)	140	110	27	58	53	10,000
Trader Horn (N.J.)	135	130	4	15	14	8,000
Brick Church (N.J.)	100	80	25	23	20	10,000

All figures for last completed fiscal year ended in first quarter of 1987 except: American TV, figures for year ended June 30, 1986 and Brick Church, figures for year ended Aug. 31, 1986.

Source: DSN research

Beset with financial troubles, leading CE chain Pacific Stereo filed for Chapter 11 in May of 1986, owing creditors $36.8 million and holding assets worth just $21.6 million. When a takeover attempt by Colorado-based U.S. Electronic Company fell through, Pacific Stereo began a liquidation of its assets in October 1986. A smaller, 25-store chain, Atlanta-based Stereo Village, also filed for Chapter 11 in December.

However, Richmond, Va.-based Circuit City has been able to thrive, becoming the first CE chain to reach the $1 billion mark in sales. Sales increased 43 percent from $705 million in 1985 to $1.01 billion in 1986. The chain eliminated its less profitable operations (the Lafayette stores in New York and the licensed depart-

(Continued on page 76)

ANNUAL REPORT — TOY SPECIALTY CHAINS

Most Toy Chains Increase Volume; TRU Cracks $2 Bil.

Nationwide DSN Report

While Toys "R" Us remains far ahead of the top toy chains, the fastest grower by percentage of sales gain last year was Toys Plus, a 34-store St. Charles, Mo.-based toy chain, which grew 59 percent from $17 million to $27 million and moved into the seventh spot from ninth the previous year.

The other toy chains kept their positions, with nine out of the 11 increasing their sales volumes. Toys "R" Us increased the volume for its toy stores 23 percent from $1.84 billion to $2.27 billion.

During 1986, TRU opened 38 toy stores in the U.S. and entered the Cleveland market. It also opened six toy stores in Canada, three stores in the United Kingdom and its first stores in Hong Kong and Singapore. TRU currently has 295 toy stores in operation in 31 states, Canada, the United Kingdom, Singapore and Hong Kong.

In 1987, TRU plans to open 45 toy stores in the U.S., including the new markets of Pittsburgh and Phoenix, and 13 international toy stores in Canada, the United Kingdom and a new market of West Germany.

The nation's No. 2 chain, Avon, Mass.-based Child World, increased sales 23 percent from $513 million to $629 million. Operating under the names of Child World and Children's Palace in 28 states, the chain has grown to 134 stores in 47 markets. New markets included Dallas, Milwaukee, Birmingham, Ala., and Charleston, S.C. The company expects to grow to 149 stores in 1988.

"In 1986, we demonstrated high levels of sales increases during the fourth quarter in a tough toy year. We increased overall business by 35 percent in the fourth quarter," said Gilbert L. Wachsman, president of Child World. Comparable store sales at Child World increased 22 percent during the Christmas season and 9 percent for the year.

The company believes it was able to have a good fourth quarter due to much better marketing efforts in circular and television advertising. The company went from four circulars to nine from October to Christmas 1986. The quality of the circulars changed with more clarity and visual impact in the presentation, Wachsman added.

A number of merchandising programs begun in 1986 have had a positive effect on the company's sales. In February, Child World added disposable diapers to its merchandise offering in all stores after a successful six-month test in 15 stores in 1986.

Another successful merchandising program for Child World was the creation of a new Learning Center in 1986, combining learning aid and child development categories.

First quarter sales for Child World have increased 29 percent and comparable store sales increased 17 percent, according to Wachsman.

Ranked third among the top chains, Lee, Mass.-based Kay-Bee Toy & Hobby Shops increased sales 21 percent from $401 million to $487 million. The chain increased its store count from 584 to 639 and expects to reach 694 in 1988.

(Continued on page 76)

Top Toy Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)
Toys "R" Us (N.J.)	$2,270	$1,840	23%	295	246	36,000
Child World (Mass.)	629	513	23	134	119	36,000
Kay-Bee (Mass.)	487	401	21	639	584	3,500
Lionel Leisure (Pa.)	283	246	15	65	52	35,000
Grossman Bros. (N.Y.)*	150	110	36	341	310	3,500
K&K Toys (Va.)	50	43	16	104	96	3,000
Toys Plus (Mo.)	27	17	59	34	25	10,500
Karl's Toys (Calif.)	25	18	39	26	24	5,500
Toy Kingdom Toys & Gifts (Ohio)	15	19	21	54	58	3,000
Hobby Center Toys (Ohio)	12	12	0	26	27	2,400
Toy & Sport Warehouse (N.Y.)	11	10	10	5	5	16,500

**Includes Playland, Playworld and Circus World units.*

Source: DSN research

OFF-PRICE APPAREL CHAINS ANNUAL REPORT

Top Off-Pricers Achieve Sales Gains in Difficult Market

Nationwide DSN Report

After a harsh shakeout period that many believe is not yet over, several of the stronger apparel off-price chains are refining their merchandising strategies in order to continue to prosper in this hotly contested market.

To achieve improved growth going forward, the top three chains have undergone key management changes or company restructuring over the past 12 months, reflecting just how finely tuned a chain has to be to compete effectively.

Yet despite the recent tough times, sales for these off-price apparel specialists continue to grow, cutting into the discount soft goods pie dominated by the K marts, Wal-Marts and Zayres.

Marshalls, the off-price division of Melville Corp., and T.J. Maxx, Zayre Corp.'s off-price chain, remained Nos. 1 and 2, respectively, dominating the remainder of the field. However, a closer look at these two billion-dollar-plus chains show two distinctly different paths traveled last year.

Marshalls' sales were up last year but its earnings were down, and by the end of the year it became apparent that changes in strategy, as well as in management, were required.

Over the years, Marshalls had become a dumping ground for all kinds of brands, with store management as concerned with price points and keeping the rapidly expanding chain supplied with enough product as with anything else. In the process, Marshalls' traditional targeting of the department store shopper became less of a priority, which led to a stagnation of its better branded business.

Now Marshalls has a new management team in place and an attempt is underway to reverse the errors made in the past.

At T.J. Maxx, sales skyrocketed to over $1 billion for the first time in the chain's history. During the year, the off-pricer continued trading-up, adding special designer departments featuring better brands. While adding another 35 units last year, the chain continued to aggressively target the department store customer with up-to-date, fashionable merchandise.

To help finance a planned expansion of 35 stores a year for the next five years (the chain will enter the California market for the first time with 10 units before year-end), parent Zayre is spinning off T.J. Maxx, along with its Hit or Miss and Chadwick's of Boston divisions, as a separate company called TJX Cos.

Ross, while remaining the No. 3 chain on the list, had an even bumpier time of it last year than Marshalls. While the California-based off-pricer posted total sales gains, it lost $11.7 million before taxes. Ross also closed 25 unprofitable units in the Texas-Oklahoma area early this year in an effort to cut further losses. Nevertheless, Ross posted a $4.2 million loss for first quarter 1987.

However, first quarter same store sales were up 8 percent, company officials pointed out.

Ross also saw a reshuffling of its top management earlier this year: Stuart Moldaw is now chairman and chief executive officer, and Norman Ferber was promoted to president

(Continued on page 77)

Top Off-Price Apparel Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)
Marshalls (Mass.)	$1,409	$1,324	7%	286	261	29,000
T.J. Maxx (Mass.)	1,050	825	27	261	226	19,000
Ross Stores (Calif.)	534	376	42	131	121	25,000
Burlington Coat (N.J.)	382	343	11	100	87	40,000
Loehmann's (N.Y.)	351	322	9	NA	90	NA
Hit or Miss (Mass.)	345	310	11	501	461	3,200
Filene's Basement (Mass.)	252	213	18	22	22	25,000
Sizes Unlimited (N.J.)	240	255	(6)	NA	247	NA
Syms (N.Y.)	223	215	4	NA	17	NA
Dress Barn (Conn.)	175	135	30	300	235	4,000
Clothestime (Calif.)	161	127	27	343	263	3,800
NBO Stores (N.J.)	73	64	12	26	21	8,000

NA—not available

Source: DSN research

SPORTING GOODS SPECIALTY CHAINS ANNUAL REPORT

Herman's, Thrifty Solidify Holds on the Specialty Market

Nationwide DSN Report

The big fish are gobbling up the little fish in sporting goods specialty retailing.

Herman's, convincingly the largest dollar entity in the industry, bought Utah-based Sunset Sports (40 stores) last August, added another 40 new stores and plans to open 60 or more over the next year.

Not to be outdone, Thrifty Corp., parent of Big 5 Stores, purchased Denver-based Gart Brothers and Niles, Michigan retailer Michigan Sporting Goods. The two acquisitions, which increased its store count 49 percent to 134, moves Thrifty to within striking distance of Oshman's, the industry's No. 2 retailer.

Industry analysts have said that the Houston discounter was "under heavy pressure" from Herman's, which is invading large parts of Oshman's traditional market from the east, while Big 5 and its new subsidiaries squeeze in from the west.

Richard Bockart, Oshman's treasurer, pointed to the disastrous Texan economy as a key to the chain's relatively poor performance over the past two years. "The only turnaround we've seen is that it [the economy] has stopped going down," he said. "Hopefully, it's hit bottom, but we're still looking at a few years before it comes back."

He said that Herman's move into the Texas market would make things more competitive, but that the company was maintaining margins and becoming more promotional in response to the "much more competitive" market conditions.

Thrifty, meanwhile, has solidified its position in Oshman's other major market, California, and branched out to the Midwest and the West Coast with the purchases of Gart Bros. and Michigan Sporting Goods. Shearson Lehman analyst Ed Tirello Jr. noted, "Going national seems to be the key and Thrifty has what the competition doesn't—cash flow. The independents are borrowing at prime plus 10, so they can't really afford to expand. The result is that their [Thrifty's] sporting goods segment seems to be doing well. They have a good strategy and it's paying off."

Sporting goods on the whole remains a slow, steady grower in the consumer market, and most growth comes in the form of increased market share, not booming same store percentage leaps. Herman's vice president George Walker noted that "the whole industry is waiting" for a new sales trend to emerge.

Exercise equipment, the most recent growth star, has plateaued—and nothing has stepped in to take its place. The more hopeful among manufacturers and retailers are looking for walking shoes to pick up the slack, but most of the top specialty retailers said that the "sport" is yet to develop—and may never amount to much.

Walker noted, however, that manufacturers seem to have overcome a significant hurdle—convincing consumers that they need special equipment to do something as basic as walk. "There's still a lot of styling resistance out there," he said. "Most walking shoes look funny."

Future growth in the area may be severely affected by pending import legislation. Protectionist in nature, proposed bills could impose significant quotas on leading supply nations like Japan and Korea.

(Continued on page 77)

Top Sporting Goods Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)
Herman's (N.J.)	$630	$420	50%	208	131	10,000
Oshman's (Tex.)	323	312	9	214	209	10,000
Big 5 (Calif.)	180	175	10	94	89	NA
Sportmart (Ill.)	141	129	10	15	12	35,000
Sunset Sports (Utah)	120	116	3	36	40	10,000
Dave Cook (Colo.)	64	62	3	17	17	NA
Gart Bros. (Colo.)	60	54	10	16	15	20,000
Michigan Sporting Goods (Mich.)	45	42	7	24	16	NA
Academy (Tex.)	39	37	5	30	28	NA
Irving Sports (Va.)	18	17	5	18	18	NA

Sunset was acquired by Herman's in August 1986.
NA—not available

Thrifty Corp. owns Big 5, Gart Bros. and Michigan Sporting Goods (total 134 stores).
Source: DSN research

Regional Chains Grow; Overall Sales Contract

Nationwide DSN Report

The catalog showroom industry was affected last year by a number of diverse trends:

- Regional catalogers like Brendle's, L. Luria & Son, K's Merchandise, David Weis, Dahlkempers, and Present, among others, remained the industry's pacesetters, chalking up gains in *both* sales and earnings.
- While a number of chains showed sales gains, overall there was a 4.2 percent slide in the industry's sales to $6.9 billion from $7 billion in the previous year. This was due in large measure to the continuing demise of chains large and small: Ardan and Broadman, multi-unit operators, closed in 1986 as did such one- and two-store firms like Sam Gold, Von's, Miron, Anter and Schober's.

At the same time, major catalogers shut a number of stores. Best Products, for example, closed 17. Consumers Distributing (U.S.) phased out its entire West Coast division to focus on its New England and Middle Atlantic states stores. And the trend to close stores has continued into 1987, with W. Bell phasing out four of its Houston units, while Segall & Sons has shut four showrooms.

- Service Merchandise strengthened its position as the top cataloger despite the company's reporting a record $29 million operational loss from continuing showroom operations as it retrenched to its core business by closing down its Mr. HOW warehouse home center operation.

Service Merchandise accounted for 36.6 percent of the industry sales last year, up 14 percent from 32.1 percent in the previous year.

- Best, meanwhile, maintained its No. 2 spot while it took a $38 million "restructuring" writedown to cover the cost of closing 17 showrooms, consolidating its Midwest regional office in its Richmond headquarters and selling the Ashby's ladies' apparel specialty store chain.

Best's share of the industry's sales fell to 31 percent last year, down 2.9 percent from 31.9 percent in 1985.

On the positive side, a number of catalogers were able to strengthen their jewelry merchandising so that this higher margin category will, over the long term, help boost the bottom line. This effort mirrors the success of chains like L. Luria & Son, where jewelry accounted for about 40 percent of sales last year.

Best, meanwhile, raised jewelry sales by 5.8 percent and its share of sales to 18.1 percent from 17.1 percent through such efforts as making jewelry the focal point of its showroom refurbishing program and revamping its jewelry buying and contracting organization. The cataloger plans to expand its 10-unit Best Jewelry division this year, rather than open any showrooms, and projects opening 60 jewelry specialty stores during the next three years.

Ironically, the industry's heightened interest in jewelry last year saw a number of one- and two-store chains like Bernie Robbins leave the showroom field by switching their operations back to jewelry specialty stores.

The ongoing contraction into fewer but larger showroom chains is evident. Last year the top 10 cataloger showroom chains accounted for 85.1 percent of the industry volume, up 4.8 percent from their 81.2 percent share in 1985.

Top Catalog Showroom Chains

Chain	Sales ($ in Mil.)		Percent Change	Number of Stores	
	1986	1985		1986	1985
Best Products (Va.)	2,162	2,256	(4)	194	204
Brendle's (N.C.)	211	197	7	42	35
W. Bell (Mo.)	132**	143	(8)	18	24
Jewelcor (Pa.)	122	123	(1)	22	22
McDade (Ill.)	79	92	(14)	8	8

*In Canadian dollars
**Fiscal year ended June 27, 1987

Source: DSN research

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DISCOUNT INDUSTRY ANNUAL REPORT

CE Specialists Expand Rapidly in Battle for Market Share

(Continued from page 39)
ments in the Los Angeles Zody's discount stores) early in 1986.

Almost all publicly owned CE retailers have experienced somewhat disappointing results in earnings expectations sometime in the last two years. Rapid expansion has been one of the reasons for CE chains generating lower than expected earnings, which resulted in large increases in expense ratios.

The intensifying competition between specialty electronic chains is another contributing factor to the industry's shakeout.

According to San Francisco-based Montgomery Securities, there were two or more chains competing in only nine of the 35 largest metropolitan markets in the U.S. in 1984. This year, two or more chains will compete directly in 27 of these same markets.

For example, Baltimore, Md.-based Luskin's, the 13th leading CE chain with sales of $140 million, will tackle No. 1 Circuit City in the larger chain's Virginia stronghold in Tidewater and its headquarters city of Richmond late this summer. At the same time, in Luskin's headquarters city of Baltimore, Circuit City will be entering with four stores, the first to open in mid-summer.

City of Commerce, Calif.-based The Federated Group has suffered from Circuit City's strength in Los Angeles and has posted a $5.23 million net loss for the fiscal year ended March 1. However, sales were up for the chain in its last fiscal year, increasing 18 percent from $364 million to $430 million.

Standard and Poor has lowered its rating on $40 million of convertible debentures due in 2010 of The Federated Group to triple-C-plus from single-B because of its eroding competitive position in California. S & P also said the company is trying to correct problems that have caused substantial inventory losses, management turmoil and high employee turnover.

Taylor, Mich.-based Highland Superstores, the No. 2 CE chain with sales of $656 million last year, recently opened three stores in Minneapolis and St. Paul close to stores run by Best Buy.

The New York investment firm added that although Best Buy's rapid expansion, which calls for the addition of 16 superstores in its next fiscal year, could increase the risk of earnings disappointments, Highland's entry into an area where Best Buy currently enjoys an over 40 percent market share remains the major concern and threat to Best Buy's earnings forecast during fiscal 1988. Earnings for Best Buy were up 93 percent for its fiscal year ended in March to $7.7 million.

Kidder, Peabody & Co. cited Circuit City, Highland Superstores and Best Buy to be the best managed companies with sound strategies in the industry.

Edison, N.J.-based Crazy Eddie is especially feeling pressure as the chain has lost top executives, reported plunging earnings and sees its share of the highly intense New York market dwindling to its competitors Newmark & Lewis, Trader Horn and The Wiz.

Consumers used to travel long distances just to shop at Crazy Eddie, said Donald I. Trott, an analyst with Dean Witter Reynolds, a New York securities firm. This is not the case anymore, he added, due to the other three New York competitors expanding.

Most Toy Chains Increase Volume; TRU Cracks $2B

(Continued from page 39)
Kay-Bee had a good year in 1986, said Robert Simonson, an analyst with Kidder, Peabody & Co. Same store sales in fiscal 1986 were up 12 percent for the year and up 16 percent in December.

Philadelphia-based Lionel Leisure also had a good year, increasing sales by 15 percent to $283 million from $246 million. Store count grew to 65.

The company expects to expand to 80 stores in 1988. In addition to the 13 new stores opened in 1986, the chain also remodeled 11 stores. During 1986, Lionel installed in all its stores new IBM 3680 registers, which upgraded its information system by providing price look-up information by individual items.

The company operates Lionel Kiddie City, Lionel Playworld and Lionel Toy Warehouse stores in 16 states. Revenues for the first quarter ended May 2 increased 29 percent to $41 million from $32 million over the same period last year. Comparable store sales for the first quarter of 1987 were up 8 percent.

Farmingdale, N.Y.-based Greenman Brothers, which operates Playland, Playworld and Circus World units, increased 1986 sales by 36 percent from $110 million to $150 million. Norfolk, Va.-based K&K Toys increased sales 16 percent from an estimated $43 million to $50 million.

Los Angeles-based Merchants West, which operates Karl's Toys, also increased sales by 39 percent from $18 million to $25 million, with plans to have 30 stores in 1988. The company is also in the process of installing a NCR point-of-sale system to track purchases in its stores and will be moving from a 25,000-square-foot warehouse to a 55,000-square-foot warehouse in Long Beach, Calif.

New York-based Toy and Sport Warehouse increased sales 10 percent from $10 million to $11 million. "With a standard mix, we had a good year even though the rest of the trade struggled," said William Langus, president.

Top Off-Pricers Achieve Gains in Tough Market

Calif.-based Ross Stores gained 42 percent in sales last year, from $376 million to $534 million. The chain showed a net loss for fiscal 1986 and for first quarter 1987. (DSN photo)

(Continued from page 40)

and chief operating officer.

Moldaw, along with departed president and ceo Donald Rowlett, was a key player in shifting Ross' focus away from its juniors emphasis to a more off-price family base, emulating Marshalls and T.J. Maxx.

In addition to T.J. Maxx, off-pricers Burlington Coat and Filene's Basement, along with such smaller operations as Dress Barn, ClothesTime and NBO, posted strong 1986 results.

The only chain that was on last year's list that is absent from this year's is Designer Depot, which was shuttered late last year.

Observers and executives in this market point to the demise of the 79-unit off-price apparel division of K mart, as well as Ross' recent problems, as evidence that there is still a shakeout going on, with other closings possible by year-end.

Such smaller operations as Oliver's, a women's/family apparel off-price chain based in Ridgefield, N.J., that is in Chapter 11, continue to struggle. Sizes Unlimited, the off-pricer geared to large-sized women based in Secaucus, N.J., lost money for the second straight year.

Many of these apparel off-pricers were started in the heady mid-to-late '70s, when vistas appeared limitless for the off-pricers.

But to survive in the far more competitive environment of the late 1980s, apparel off-pricers can no longer throw merchandise on the rack and sell it at 30 percent off, as Marshalls, among others, has learned.

Many of the leading off-price apparel chains continue--as do moderate-to-better department stores—to pursue quick response through better relationships and tighter link-ups with suppliers. They are also refining their ability to track sales by store, price, color and size more rapidly. Such things are no longer luxuries; they're necessities.

While private label continues to be getting the major attention at such giants as K mart, Target and Wal-Mart (operations big enough to support such programs), brands continue to play the major role in this specialty market with higher opening price points. Offering values based not just on price—but on customer perceptions of a great deal on a label they've seen at department stores—is the name of the game here.

And when private label is being added in a major way, as at NBO, it isn't just in basics to fill voids, it's as showcase item merchandise such as imported fancy wool-blend sweaters at $39 price points.

In terms of categories, activewear in men's and women's, in fleece looks as well as others, was the strongest performer for many chains, along with denim tops and bottoms.

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Herman's, Thrifty Solidify Holds on Specialty Market

(Continued from page 40)

Jeff Grey, customer relations manager and buyer at Illinois-based Sportmart, said that if the price of imports keeps going up, the category will quickly leave behind its customer base, which has become accustomed to high-quality goods at bargain prices. "A three-person tent at $29 now might be selling for $39 or $49 by next year," he said. "That will dramatically affect customers' perceptions of quality and value."

Grey added that he had seen a drop in soft goods this year, but strong growth in bicycles and all outdoor sports.

Most retailers expect some sort of protectionist legislation to pass sometime during the next year whether or not President Reagan exercises his right to veto.

Apart from the import issue, most specialty sporting goods retailers seemed concerned with the "grow or die" issue. "Small businesses are going out of business," noted Gart Bros. vice president Ken Gart. "We're growing."

The most prevalent pattern of Top 10 growth seems to be by acquiring other top chains. Herman's, in particular, plans for even more expansion.

"This industry is totally dependent on the weather," said Herman's vice president George Walker. "As we become more national, the less the localized weather can affect us as a whole."

For smaller chains, the aggressive expansion of Herman's is hardly good news. For beleaguered Oshman's, already facing competition in its home Texas markets from traditional discounters, the prospect of a Herman's invasion must seem like extremely ominous icing on the cake.

With a volatile import issue threatening the industry's sources of supply, rapid expansion by the big chains, and the impact of new retailing concepts like that of California-based membership warehouse SportsClub, the sporting goods industry's "slow and stable" reputation may be in danger.

In 25th Year, K mart Poised to Surpass $26 Billion Mark

TROY, Mich. — A changing of the guard is under way at K mart Corp., but the move won't slow down the $23.8 billion discounter's drive to become the nation's dominant retailing conglomerate.

The change in top management comes as the country's leading discounter celebrates its 25th anniversary. And retiring chairman and chief executive officer Bernard M. Fauber forecast that sales this year for the entire company will pass $26 billion.

Fauber, who has been K mart's top executive since 1980, will retire later this year. In May, Samuel G. Leftwich retired as vice chairman, while five months earlier Norman G. Milley retired as president, K mart Stores, the retailing heart of the corporation.

The team of executives, headed by Joseph E. Antonini, currently president and chief operating officer, which was groomed to lead the company, have a clearly marked out path to follow to reach the $26 million sales goal while strengthening K mart's core discount store operation and continuing the parent's retailing diversification.

Company Goal

Fauber enunciated the company's overarching goal as "making each one of our retail nameplates a destination place. This means that any of the four types of stores . . . is the store to go to first, if you are in the market to buy those kinds of products."

The 2,204 K mart discount stores account for 89.5 percent of the parent's revenues, a slight decline from the 91.3 percent share in 1985. The discount arm will again receive a major share of the company's investment for the future, but significant resources will be spent on the three specialty store arms—Builders Square, Pay Less Drug Stores Northwest and Waldenbooks—to enable each of these operations to stake out larger market shares.

Besides producing the major share of the corporation's volume, K mart's 2,086 U.S. and 118 Canadian units led the discount store industry in sales last year with $22.1 billion, up 6.3 percent from $20.8 billion in volume in 1985 from 2,062 U.S. and 118 Canadian stores. This gain was paced by the 5.5 percent increase in same-store volume last year as compared to a 0.4 percent drop in 1985.

The discounter's sales last year include $21.3 billion from company-owned departments and slightly over $1 billion from the leased shoe sections operated by Meldisco, which is a joint venture between K mart and the Melville Corp. In 1985, company-owned sections produced $20.1 million in volume, while the leased shoe operation had $990 million in sales.

K mart's sales per square foot rose to $177 from $166.

On the earnings side, the discounter's operating income of $1.3 billion was an 18.1 percent jump from $1.1 billion.

The company's specialty stores, as a group, had $2.5 billion in sales, up 30.3 percent from $1.9 billion. Operating profits, however, declined 12.6 percent to $37 million from $42 million, due to the rapid growth in the total number of specialty stores—up 1,440 units from 1,282 stores—a 12.3 percent jump, along with the heavy promotional activities among these chains designed to maintain their competitive market position.

Technology Investment

The corporation support for its core K mart discount stores includes a technology investment that will run to about $1 billion over the next five years and will involve:

- Installing the POS and scanner electronic registers currently in 552 K marts in all stores by the end of 1990, with about 250 units due to get this technology this year.
- Upgrading the POS registers into a complete merchandising information and customer service system by phasing in in-house developed software and the $50 million state-of-the-art GTE Skystar satellite network to connect the Troy headquarters and its computer center to each store, regional office and distribution center.

About 40 new K marts are scheduled to be opened this year as part of the anticipated launching of 120 units to 140 units during the next three years. Each store, Fauber noted, represents a $5 million investment in land, building, fixtures, equipment and inventory, and serves an average of 90,000 consumers.

Technical advances and physical growth are just part of K mart's investment for the future. Another portion is revamping and updating its merchandise operations, including the restructuring earlier this year of its hard goods division into six groupings that reflect consumer shopping interests. The six divisions are convenience products, consumables, home fashions, leisure and entertainment, do-it-yourself, automotive and sporting goods.

At the same time, a new boutique for cosmetics is being tested adjacent to apparel and jewelry in about 50 stores to develop a synergy between these fashion-oriented categories.

K mart also pollinates its discount stores with ideas from its specialty stores—and in the case of its Waldenbook operation has had this division roll out and run the Readers' Market book department in the discount stores. The section is already in 51 K marts and is due to be installed in another 90 stores this year.

The specialty store group's growth this year will see Waldenbooks add 79 stores for a total of 1,073. Builders Square will gain 38, for a total of 124 units; Pay Less Drug Stores Northwest will add 42, for a total of 260 units.

In 1985, the store counts for the three operations were Waldenbooks, 955, Builders Square, 30, and Pay Less Drug Stores Northwest, 183.

The planned growth of the specialty stores includes continuation of the testing of a number of new formats.

In the Waldenbooks arm, these include Walden Software, a new computer software store; Walden Kids, a unit featuring children's books and creative toys and games, and Waldenbooks and More, an expanded unit that also merchandises video tapes.

Waldenbooks will also expand its Brentano's operation, an upscale book store positioned in high fashion malls.

The Pay Less Drug Stores Northwest division's test is Wonder World, a format that combines the chain's core super drug store business with a convenience food operation.

K mart's specialty business also extends to Canada, where its 142 Bargain Harold's offer special purchase merchandise in communities too small to support traditional variety stores. The company is testing eight Bargain Harold's in upstate New York as a possible vehicle to succeed the Kresge and Jupiter variety store operation, which was sold to McCrory's earlier this year.

K mart

	1986	1985	% Change
Sales (In Millions)	$22,107	$20,775	6%
Operating Income (In Millions)	1,311.0	1,058.0	24
Stores	2,204	2,180	1

Source: DSN research

Bernard Fauber, chairman and ceo

Joseph Antonini, president

K mart plans to open about 40 new stores this year as part of the anticipated launching of 120 units to 140 units during the next three years.

K mart is testing a boutique for cosmetics—adjacent to apparel and jewelry—in about 50 stores to develop a synergy between these categories. (DSN photos)

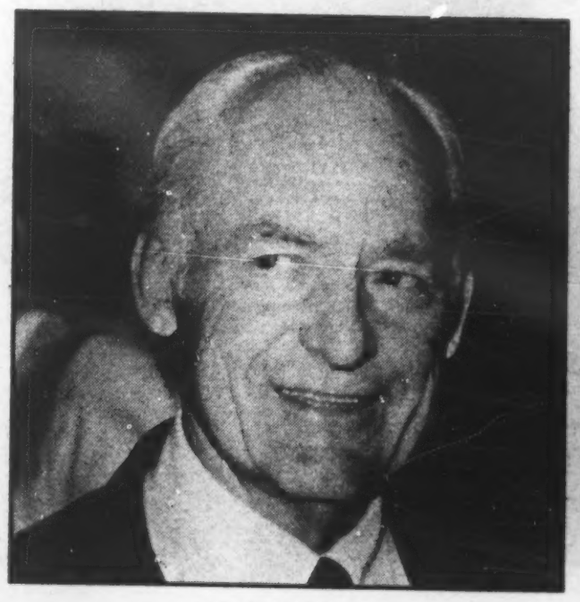
Wal-Mart Sets Hot Growth Pace; Readies Hypermarkets

BENTONVILLE, Ark. — Wal-Mart's story can best be told, perhaps, by comparing two past *DSN* headlines. "Wal-Mart Sets Its Sights on $8.3 Billion in 1985" read a July 1985 headline.

Contrast that with this headline, printed last month: "Walton Announces Stock Split; Sees Sales Topping $19 Billion." Wal-Mart eventually exceeded its 1985 prediction by $151 million; there's little reason to suspect that it won't reach its more recent projection (for fiscal 1989) with equal ease.

For 1987, Wal-Mart estimates sales in excess of $13 billion, up 41 percent from a record $11.9 billion in the previous year. The company's sales have grown an average of 37 percent a year over the last decade, from a 1978 total of $678.5 million. Net income last year nearly matched that figure, at $450 million, up 37 percent from the previous year's figure of $327.5 million.

Last year, sales at Wal-Mart's discount stores climbed 33 percent to $10.2 billion. With its rapidly expanding Sam's Wholesale Club division included, Wal-Mart sprinted past the 1,000-store mark in 1986, ending the year at 1,029 units, up from the previous year's 872 units. The company expects to have in excess of 1,175 total units by the end of this year.



Sam Walton, chairman

Dave Glass, president and ceo

Jack Shewmaker, vice chairman and cfo

Wal-Mart

	1986	1985	% Change
Sales* (In Millions)	$10,200	$7,674	33%
Operating Income (In Millions)	846.0	603.6	40
Stores*	980	859	14

*Includes Wal-Mart stores only.

Source: DSN research

New Wal-Mart Formats

Included will be two new Wal-Mart formats: the much-heralded 200,000-square-foot hypermarket concept, which will include grocery, restaurant and specialty outlets, and smaller 150,000-square-foot versions, to be called Wal-Mart Super Centers. The first hypermarkets will open in Dallas, Topeka, Kan., St. Louis and Arlington, Tex. The smaller versions will premiere near St. Louis, then at sites in Oklahoma and Missouri.

And the impressive performance figures continue: Same store sales rose 13 percent last year, while operating expenses as a percentage of sales dropped for the fifth straight year, to 16.9 percent. Total retail space will add up to some 75 million square feet by the end of the year, more than doubling the total of five years ago. The company operates three new distribution centers, totaling over 2.1 million square feet. The rarely mentioned Helen's, dot and Special Divisions segments accounted for over $1 billion in sales.

Wal-Mart has not reached these levels without creating at least some controversy. Two K mart employees are suing the company after a Wal-Mart store manager had them arrested for checking prices in his store. The K mart employees charged that Wal-Mart employees lied to the arresting officers.

More significantly, Wal-Mart has been accused by manufacturers' representatives, who act as suppliers' sales forces in return for a percentage of their sales, of attempting to put them out of business. According to several of the representatives, none of whom wished to be identified, Wal-Mart has notified manufacturers that it will deal with principals only, effectively cutting off significant portions of reps' incomes.

Wal-Mart has denied the charges against them, but at a recent shareholders meeting, Ames president Peter Hollis acknowledged that his company was watching the case closely.

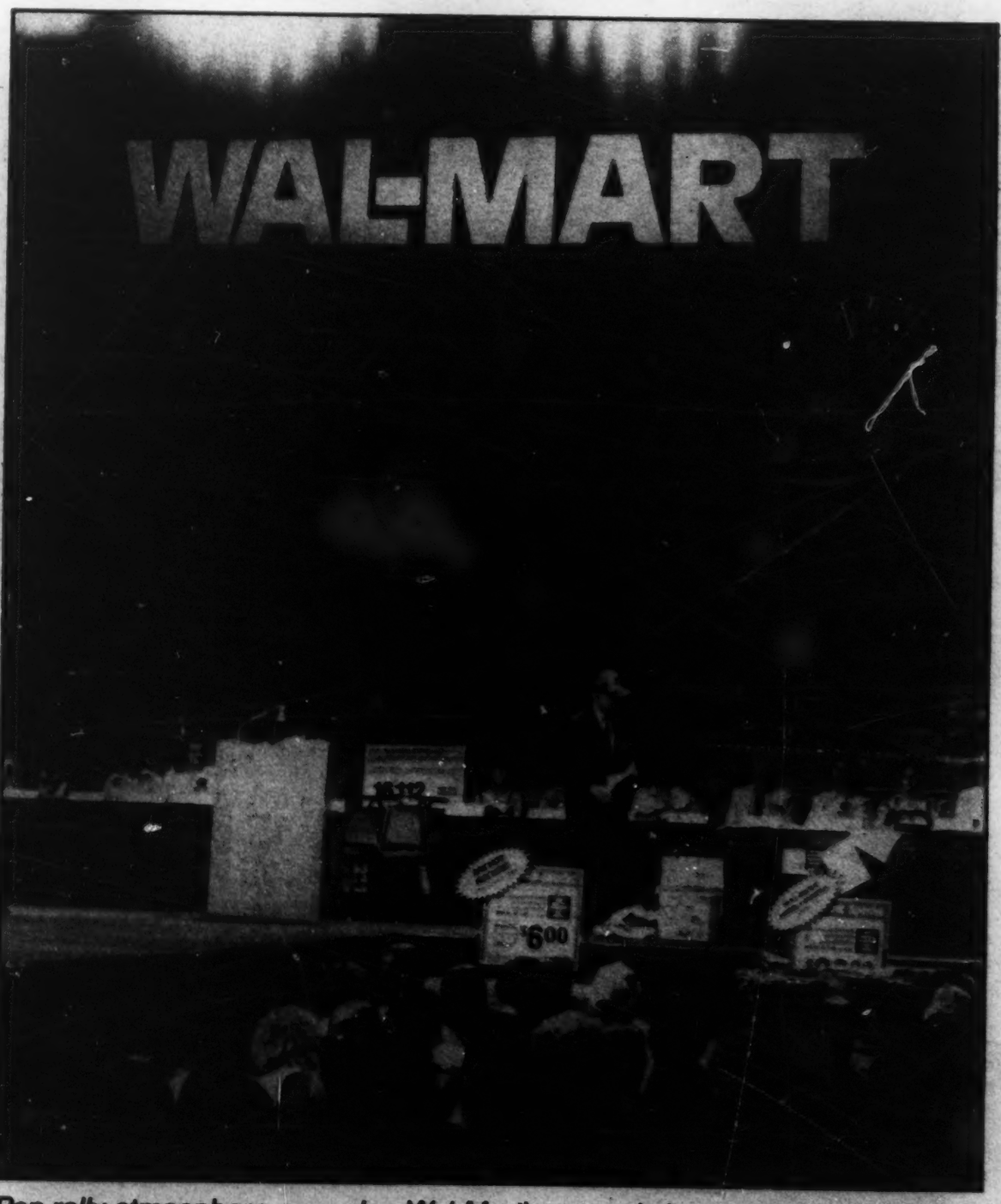
First quarter figures bear out management sales and earnings predictions. Sales were up 40 percent to $3.3 billion from $2.34 billion in 1986. Company profits soared 50 percent to $110.4 million.

As stunning as chainwide performance has been, the phenomenal growth of Sam's Wholesale Club stands out. Even in an industry typified by rapid expansion and glittering sales figures, Sam's explosion has been one of discounting's biggest stories. From gross sales of $221.6 million three years ago, Sam's exploded into the billion dollar club last year with sales of $1.68 billion.

The chain has continued that growth performance this year, including the purchase of the 21 locations of competitor Super Saver Stores. Even more remarkable in the fledgling industry, Sam's has reportedly been profitable as it grows.

What's Wal-Mart's outlook for the next year? Growth, growth and more growth. As the Retailing Razorback himself, chairman Sam Walton, put it, echoing the Carpenters' hit song of the early 1970s, "We've only just begun."

Wal-Mart expects to have more than 1,175 total units by the end of 1987, including the much-heralded 200,000-square-foot hypermarket concept.



Pep rally atmosphere pervades Wal-Mart's annual shareholder meeting. Pictured, Walton addresses the crowd. (DSN photos)

Target Assimilates Gemcos; Eyes Pacific NW Expansion

MINNEAPOLIS — Target is scheduled to open the first wave of its 50 remodeled Gemco stores this month as the company looks to open a total of 74 stores in 1987.

The Gemco-converted locations and the new stores give Target a stronger presence in existing markets, particularly Southern California. In Los Angeles, 23 stores will be added, bringing the total there to 53. Target is also aiming at the San Francisco Bay area, where 12 stores are slated to open by the end of the year.

Target's parent, Dayton Hudson Corp., acquired over 78 Gemcos from Lucky Stores for about $440 million in late 1986. Over 20 of the Gemco stores were sold off by Dayton Hudson to real estate interests. The remaining stores then faced extensive remodeling: Although the generally 100,000-square-foot Gemco stores were akin in size to the typical Targets, the interiors of the stores held no similarities.

In addition to beefing up the Southern California market, the Gemco-converted stores also give Target a chance to enter the San Francisco Bay Area and the state's Central Valley region. The upscale retailer is also scheduled to open three stores in Las Vegas and six in metro Detroit.

This year Target announced it is also interested in entering the Pacific Northwest, where it plans to have up to 35 units by 1993. The first group of stores is slated to open in the fall of 1988, when nine stores will open in Washington and another three will open near Portland, Ore.

POS System Expanded

As the company looks to grow from its year-end total of 246 stores to 320 stores, its POS scanning system is also scheduled to be expanded. After a test period in 1986, Target moved forward with the program and anticipates that 110 stores will be on the system by year-end. All of the California stores are scheduled to have the equipment this year, and Target expects the scanning project to be completed storewide by early 1989.

Technology innovations were also an important aspect of Target's new distribution center at Pueblo, Colo., opened in 1986 to service about 50 stores in Wyoming, South Dakota, Montana, Arizona and Colorado. The distribution center represents the company's fifth, as Target also has centers in Los Angeles, Minneapolis, Little Rock, Ark., and Indianapolis.

To improve customer service, Target now assigns an employee to the entrance of checkout lanes to answer inquiries and direct customers.

The company noted that private label merchandise has accounted for a growing percentage of Target's sales in recent years. That share is expected to increase as the company supplements its existing labels, such as the Greatland label used on outdoor apparel, boots, backpacks and all-ter-

rain bicycles. In 1987, Target is expected to expand its private label program beyond its apparel and sporting goods business to include hard line products.

The company is also planning to take advantage of a mini baby boom. In its annual report, Target noted that "with the birth rate at its highest level in more than 20 years, America is experiencing a baby boom echo." Postulating that there are now more than 34 million children under the age of 10, the company said it plans to respond to this demographic trend by expanding its assortments of products geared to today's children.

This means renewed emphasis on placemats, drinkware and dinnerware for children in the tabletop category. The trend will also be reflected in brightly colored furniture, bed linens, curtains and pillows with juvenile themes.

Financially, Target helped carry Dayton Hudson during fiscal 1986 and into the first quarter of this year. At year-end, Target's revenue topped the $4 billion mark, an increase of 11 percent, while comparable store revenues rose 5 percent. Operating profits for the year rose 12 percent to $311 million, as the company added 21 stores during the year.

The strong showing helped to offset Dayton Hudson's promotional retailer, Mervyn's, which struggled during the year as it went through management restructuring and low-pricing strategies.

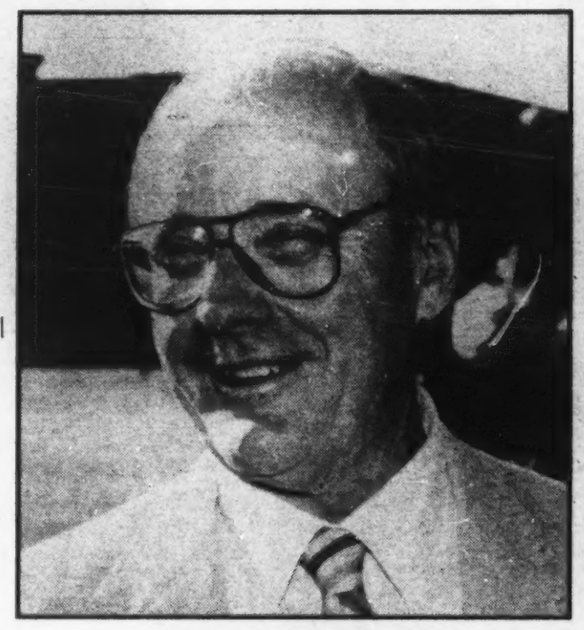
During the first quarter of fiscal 1987, Target showed an 18 percent sales increase overall and an 8 percent increase for comparable stores. These increased revenues totaled $1.05 billion, almost half of the $2.15 billion the parent company posted for the quarter.

Commenting on Target's importance to the parent company, Dayton Hudson chairman Kenneth Macke noted in Dayton Hudson's annual report that "1986 was a year of both record performance and strategic significance. Target undertook the most imporant real estate transaction in its history."

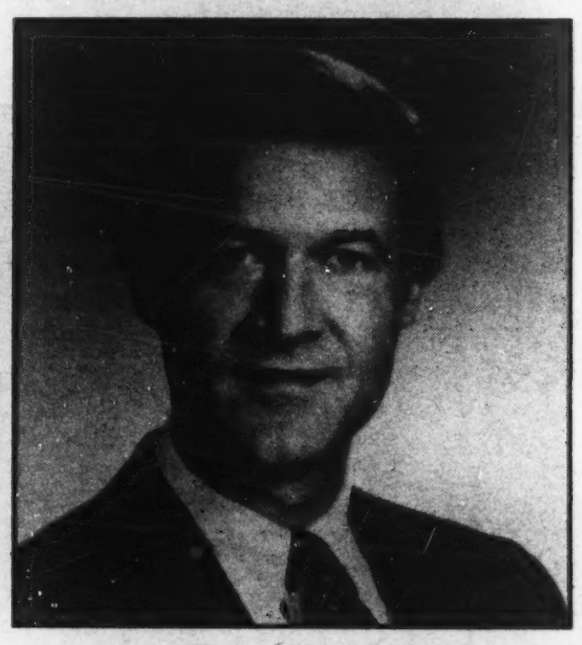
Target

	1986	1985	% Change
Sales (In Millions)	$4,355	$3,932	11%
Operating Income (In Millions)	311.0	277.8	12
Stores	246	226	9

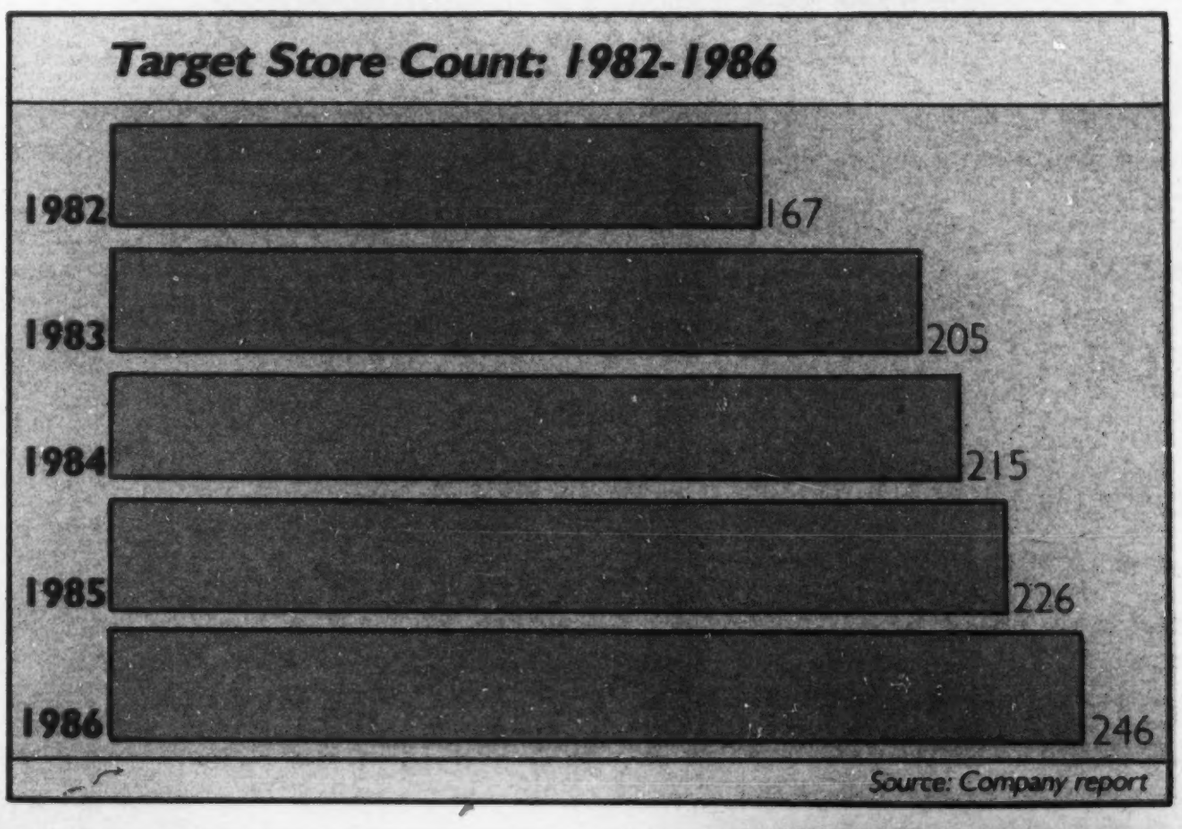
Source: DSN research



Bruce Allbright, chairman and ceo



Robert Ulrich, president and coo



Target will add 23 stores in Los Angeles, bringing the total there to 53 by the end of 1987. (DSN photos)

Despite Problems Zayre On Pace for $8B Sales by 1989

FRAMINGHAM, Mass. — The first half 1987 has been a turbulent time for Zayre Corp., the discount, specialty and warehouse store chain headquartered here.

Following a disappointing profit report in 1986, the company has seen the spin-off of its profitable specialty operations (T.J. Maxx, Hit or Miss, and Chadwick's of Boston), the resignation of the chairman of its discount store division and rapid expansion of its reportedly unprofitable warehouse club division consisting of BJ's Wholesale Club and HomeClub.

Reported Sales Gains

However, the company has reported sales gains of nearly 20 percent through the first third of 1987, a turnaround of sorts for the troubled giant, which is the fourth largest discount chain in the country.

Fiscal 1986 saw a drop in profits in the second quarter and third quarter, which was not offset by the company's strong fourth quarter. Net income dipped 6 percent to $89 million, from the 1985 figure of $94.6 million, although sales rose 32.6 percent on the year to $5.35 billion.

Warehouse Clubs

The warehouse club's segment reported pretax losses of nearly $12 million in 1986, $8 million of which was attributable to pre-opening expenses as both BJ's and HomeClub expanded aggressively. The warehouse club industry as a whole has lost money during rapid growth over the past two years. Zayre attributes the balance of the losses to poor performance of three Chicago BJ's and high inventory shrinkage in both of the companies.

Zayre Stores, which last month lost its chairman when Malcolm Sherman resigned, reported reduced pretax earnings of $129.9 million, down from $141.9 million the previous year. Over the past three years, same store sales increases have declined regularly, from a 10.4 percent gain in 1984 to a relatively weak 4.3 percent in 1986.

The company pointed to the same store sales percentages, reduced margins, and the negative impact of LIFO provisions as reasons for the chain's disappointing 1986 performance.

T.J. Maxx and Hit or Miss, Zayre's specialty apparel retailers, showed steady if unspectacular growth last year. However, the two (including Hit or Miss catalog division, Chadwick's of Boston) are being spun off to form a new company, TJX Corp., which will offer stock to the public through the New York Stock Exchange. The specialty division recorded pretax profits of $104.5 million on sales of $1.39 billion in 1986.

A Zayre spokesperson said that the company was on schedule in its five-year plan to increase sales to $8 billion by 1989 (1986 total sales were $5.35 billion). "We're still on target for all divisions," he said, "and have no plans to curtail our growth."

Growth Plans

Zayre plans to grow significantly in 1987. Zayre Stores, with 362 locations at year-end, plans to add 25 stores this year. Hit or Miss, with 461 stores, plans to open 50 more, and T.J. Maxx plans to add 35 units to its 226-store total.

Both warehouse clubs have grown quickly over the past 18 months, and BJ's will add at least six new warehouses to its total of 15 , while HomeClub will grow by eight locations, to a total of 36. The segment will account for well over a billion dollars in sales this year, up dramatically from a mere $68 million in fiscal 1985.

The company is also planning the introduction of two new distribution centers, one in Florida, to serve its far-flung (42-state) retail network. The two will total about 1.7 million square feet.

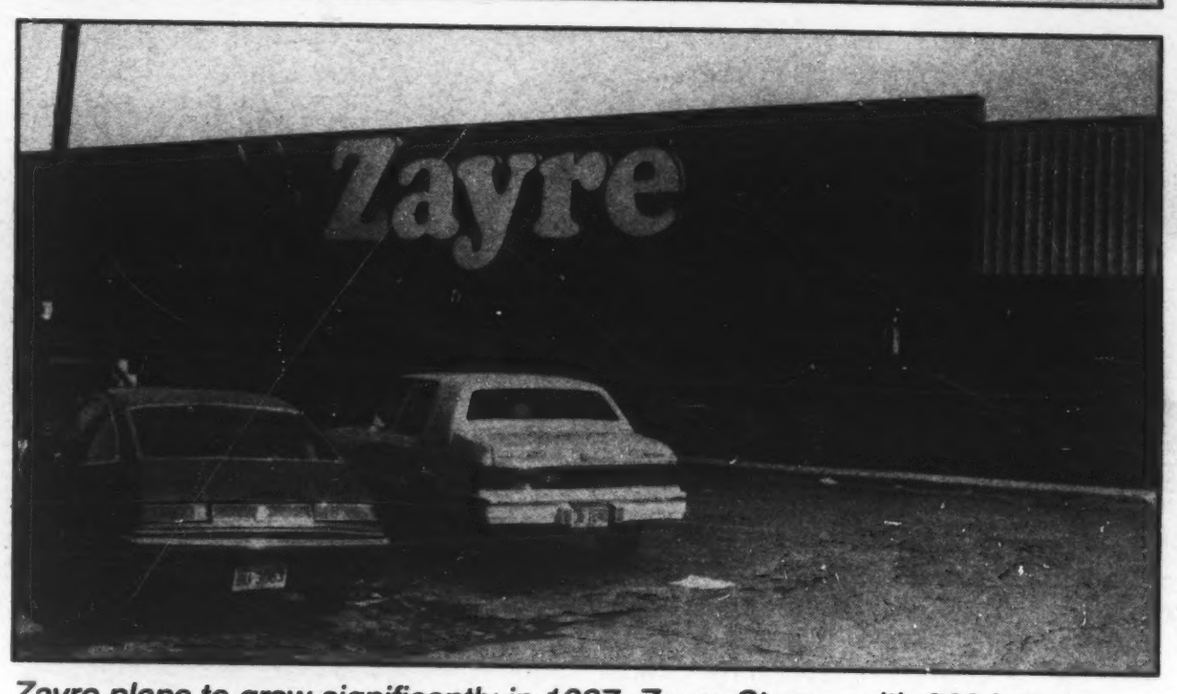
Some industry observers said that Zayre's poor performance in 1986 may have been at least partly due to its slowness in upscaling. Competitors quicker to the punch may have stolen market share while Zayre equivocated.

One supplier noted that Zayre was left with little choice but to compete on price alone, which cut into its already slim margins significantly.

If that is so, the company seems to have made up some ground with increased renovations of older stores and a more fashion-forward presentation strategy. However, its competitors have also stepped up their upscale programs, so making up lost ground will be a challenge in 1987.

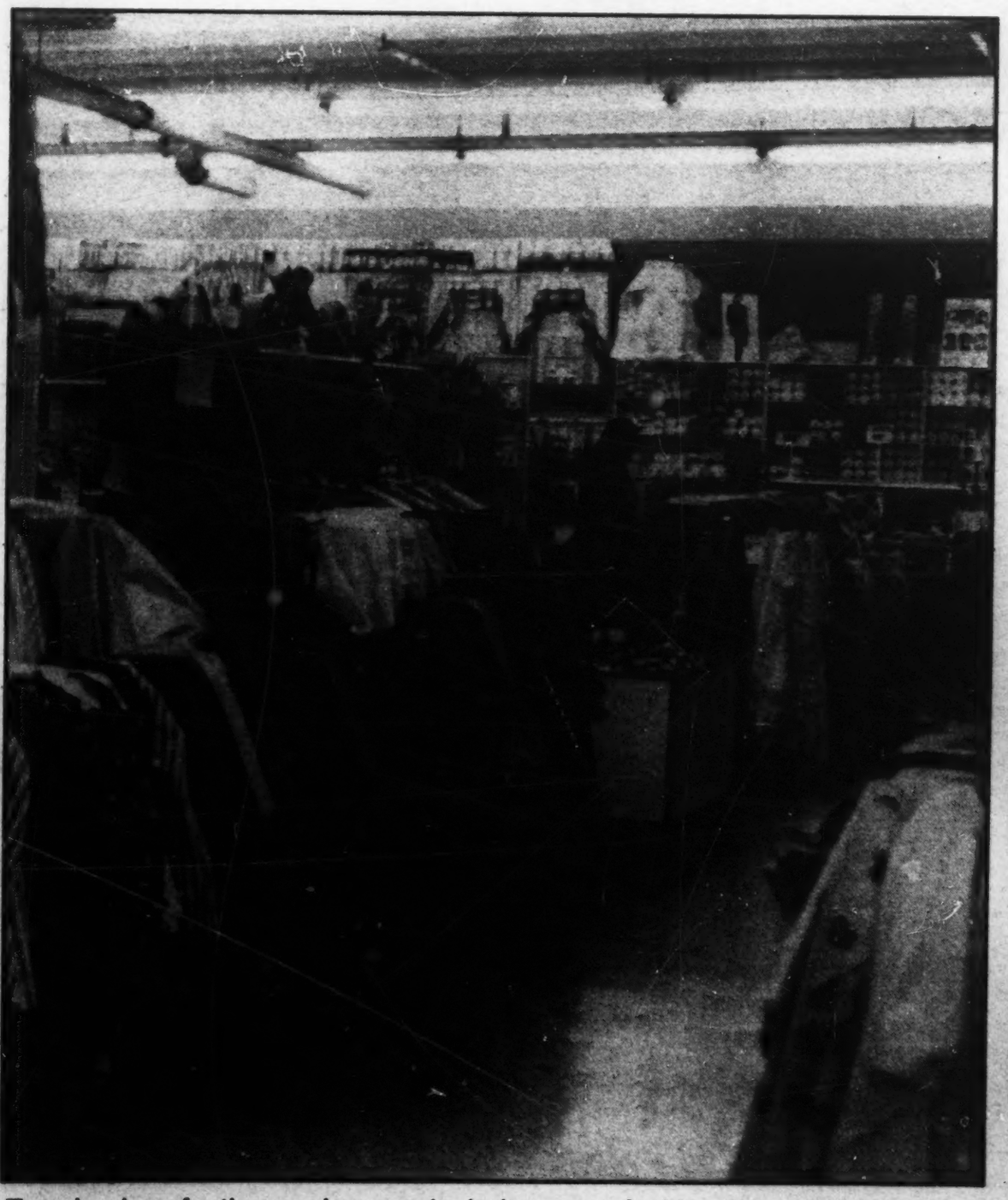
Zayre			
	1986	1985	% Change
Sales (In Millions)	$3,046	$2,638	15%
Net Earnings (In Millions)	129.9	141.9	(8)
Stores*	362	337	7

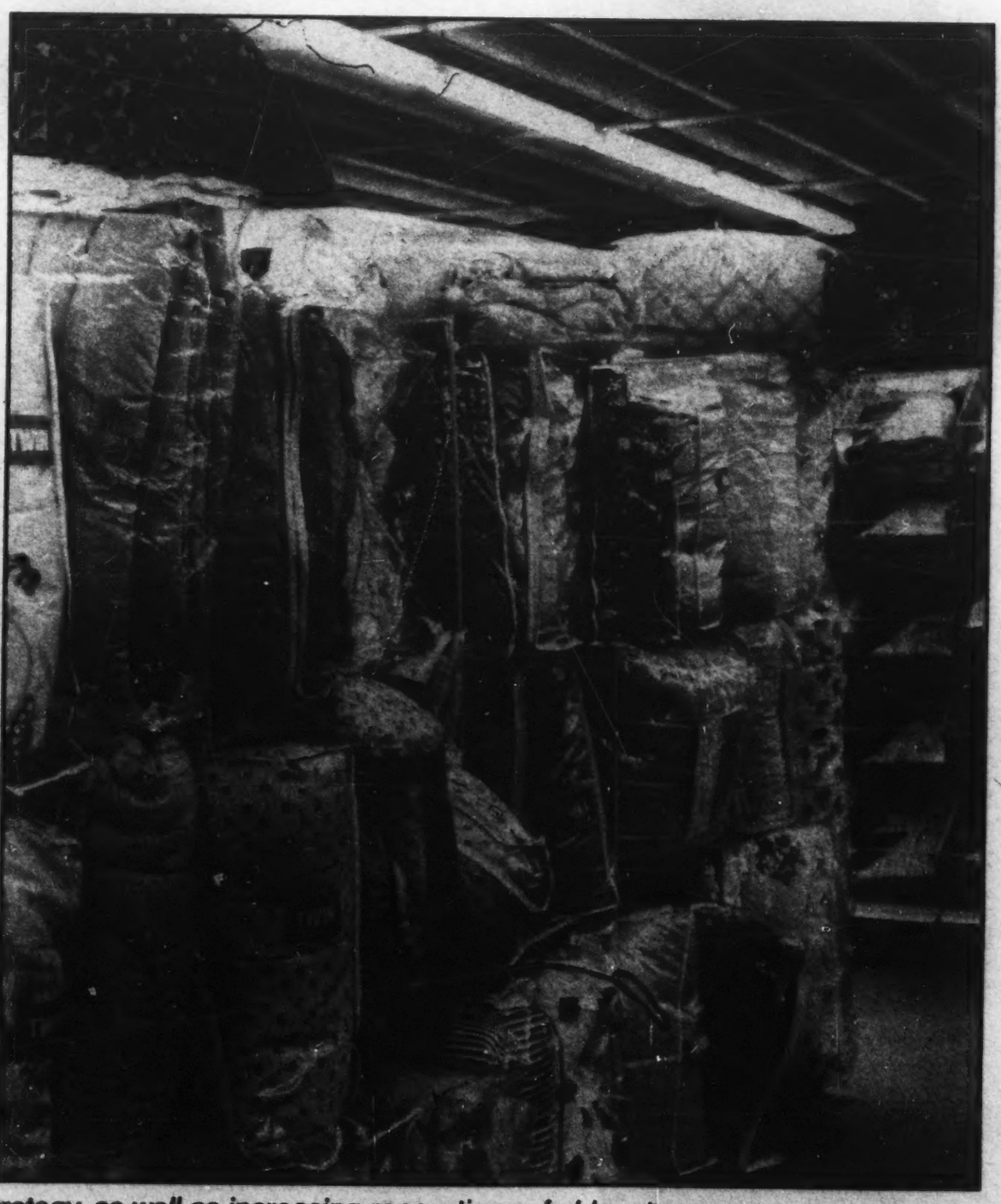
*Includes Zayre discount stores only. Source: DSN research



Zayre plans to grow significantly in 1987. Zayre Stores, with 362 locations at year-end, plans to add 25 stores this year.

Maurice Segall, chairman





Zayre's plans for the coming year include a more fashion-forward presentation strategy, as well as increasing renovations of older stores. (DSN photos)

Price Club Plans 10 Locations; 3 Replacement Sites in '87

SAN DIEGO—Price Club pushed forward into 1987 with its greatest expansion plans to date, as the membership warehouse club leader faced increased competition nationwide, including in its home base in Southern California.

Currently, the originator of the membership warehouse format operates 29 cash and carry wholesale/retail locations, having already opened two new warehouses this year. And ten new locations and three replacement sites are slated to open by the end of 1987.

Company Growth

Much of the company's growth will be in the West—in Northern California, Southern California and Arizona—while the remainder of Price Club's expansion is scheduled for the East Coast, including markets in New York, New Jersey, Maryland and Connecticut.

To support the company's growth, $200 million in convertible subordinated debentures was offered and issued in February. According to the company, the funds are scheduled for "site acquisition and development of warehouses, and in the acquisition of land for subsequent warehouses."

In March, the Price Club tried to fortify its efforts in New York with the purchase of the 32-unit TSS-Seedman's discount chain with an initial payment of $50 million. However, in April the deal fell through, squelching the possibility of Price Club being able to open some 13 warehouses in metropolitan New York alone by year's end.

According to the discounter's chairman, George Seedman, the purchase by Price Club of the TSS-Seedman's discount stores was canceled because "it was their intention [Price Club's], which was not expressed to us at the time that we made the contract, to change the character of the stores."

Continued Competition

So while Price Club faced a rejected offer in New York, competition continued to heat up this year in the Southern California market where the area's players grew to include Costco, PACE, Price Savers and Saveco. However, the industry leader remains undaunted as Price Club continues to turn a profit while some of its competitors struggle to raise themselves out of the red.

Price Club closed its fiscal 1986 year with net earnings of $58.9 million on sales of $2.8 billion. Sales in 1987 should push the company to a $3.4 billion level based on the company's first three quarters.

New Services

This year has seen the introduction of two new services at the original Morena Blvd. Price Club warehouse. In the spring, an optical department was introduced, followed by a pharmacy in late May.

Although not highly publicized beyond in-store flyers, both operations allow Price Club to go after a new market segment. Currently, both of these operations are being run out of the one location. And the company is not disclosing any of its future plans at this time.

And while it follows Costco's footsteps in terms of the pharmacy operation, to date no other membership warehouses appear interested in pursuing these additional services.

Price Club

	1986	1985	% Change
Sales (In Millions)	$2,800	$1,834	53%
Net Earnings (In Millions)	58.9	46.0	28
Stores	34	24	42

Source: DSN research

Much of Price Club's growth for 1987 will be in Northern and Southern California, and Arizona, while the remainder is scheduled for the East Coast.

Price Club operates 29 cash and carry wholesale/retail locations and it has already opened two new warehouses this year. (DSN photos)

Service Merchandise Focuses on Core Catalog Business

NASHVILLE, Tenn. — This is a make or break year for the $2.5 billion cataloger Service Merchandise.

The troubled company has stripped down its operation to its core catalog business by closing down its Mr. HOW warehouse home center chain to concentrate on its 303 showrooms, along with the projected opening of another seven stores.

The key question is whether Service Merchandise's getting back to its basic retailing concept—as president and chairman Raymond Zimmerman described the company's costly retrenchment—will be enough to return the cataloger to its past glories when it was one of the most successful showroom chains.

Shutting Mr. HOW

Shutting the Mr. HOW division at a net loss of $29.8 million stems a major source of Service Merchandise's $46.9 million in red ink, but the company still has to stop the hemorrhaging of $17.1 million in losses from its continuing operations.

The company received a big boost in its retrenchment efforts last month through the negotiating of two financial agreements.

The first was the successful renegotiation of its revolving bank credit line, obtaining $147 million at 1.5 percent over prime, due at the end of March 1988. This short-term funding for working capital replaced $158 million in revolving bank lines of credit that matured during the past three months of the year.

The second was authorization from its lenders to mortgage some of the company's unmortgaged properties to obtain up to $75 million for working capital.

An executive said the company needed $11 million less in short-term bank financing because cash flow during the first quarter had been greater than expected, and the cataloger hadn't needed to borrow then.

The executive said Service Merchandise expects monies from these agreements along with cash flow from operations to provide sufficient resources to meet its financial requirements for the fiscal year.

On the merchandising and operational side, Service Merchandise's recovery endeavors focus on heightening the cataloger's image among consumers as a sharp priced retailer of name brand hard lines, with a strong in-stock position for the approximately 8,000 sku's featured in its basic book and promoted through its stepped-up flyer and newspaper ROP advertising effort.

The company is also putting a greater emphasis on technology to improve its operations and reduce its costs. Among the steps being considered are turning its Silent Sam customer order unit into an interactive computerized terminal that will also handle credit card payment, and upgrading its telephone ordering system to make it easier for shoppers to phone in orders.

These moves are expected to allow Service Merchandise to process a greater number of orders without increasing its store-level staffing. The company has trimmed its headquarters staff, particularly among support services. It has also reduced distribution costs through the inauguration of an automated distribution center in Newburgh, N.Y., to serve its 50-plus stores in the New England and Mid-Atlantic states areas. The Newburgh facility is seen as a model for distribution centers for other markets.

The chain's financial difficulties have resulted in what Zimmerman calls a "reduced rate" of growth of seven new showrooms (compared with 10 showrooms in 1986 and up to twice that number in prior years). Zimmerman denied security analysts and trade reports that the cataloger planned to close showrooms.

One Service Merchandise source explained that the cataloger was trying to make its showrooms more productive and was interested in leasing out excess space in larger units. "If someone wanted the entire store," he said, " we would consider relocating that showroom to a smaller store if we found the right site."

The merchandising and operations problems that Service Merchandise is trying to overcome are evident from its performance in 1986.

Company sales, excluding revenues from the closed Mr. HOW arm, amounted to $2.5 billion, up 12.6 percent from $2.2 billion in 1985, but its bottom line witnessed the wrong kind of turnaround, going to a net loss of $46.9 million from a net income of $10.7 million.

The reason for last year's steep plunge into an unprofitable operation was twofold: the $29.8 million net loss from the Mr. HOW closing and—more importantly—$17.1 million in losses from its continuing core catalog business.

While continuing operations recorded a net loss in 1986, the ongoing showroom business in 1985 produced net earnings of $24.3 million.

Service Merchandise cited two factors for the losses from continuing operations. One was generally weak retail sales with almost flat same-store volume. To counter this, the cataloger engaged in heavy promotions, spending $93.9 million, or 3.7 percent of sales, on advertising, up 29.4 percent from $72.5 million, or 3.2 percent of sales, in 1985.

The other was the two-year adverse impact from the acquisition of H.J. Wilson. While the 80 former Wilson's contributed to a full year of sales and helped to boost Service Merchandise's volume, the acquisition also had a host of negative impacts: the 18-month long liquidation of non-compatible merchandise—which accounted for about 60 percent of Wilson's inventory—drove down gross margins, while buying and occupancy costs rose due to sales in the ex-Wilson's being about 20 percent below the company's average of about $8 million.

Liquidating the non-compatible Wilson's inventory has had two positive effects. It resulted in Service Merchandise carrying less stock; concurrently its assortment is more current, with a greater percentage financed by vendors so that the cataloger has less need for short-term financing.

Service Merchandise plans to remodel a number of the acquired showrooms to its prototype as part of the effort to further boost sales while reducing costs.

Service Merchandise

	1986	1985	% Change
Sales (In Millions)	$2,527	$2,244	13%
Operating Income (In Millions)	(33.7)	32.1	—
Stores	300	287	5

Source: DSN research

Service Merchandise will concentrate on its 303 showrooms this year, along with the projected opening of another seven stores.

Ray Zimmerman, chairman

Service Merchandise's recovery endeavors focus on heightening the cataloger's image among consumers as a sharp priced retailer of name brand hard lines, with a strong in-stock position for its approximately 8,000 sku's. (DSN photos)

Toys "R" Us Focuses Growth in Existing, New Markets

ROCHELLE PARK, N.J. — Toys "R" Us believes that, in the United States alone, it can expand its number of stores to 700.

If the chain's current growth rate in the United States is any indication, the chain could reach this 700 store goal in the next 11 years.

Worldwide, TRU could be generating a total of $5.4 billion in toy sales by 1995, based on current growth patterns.

TRU increased sales 23.7 percent to $2.44 billion in its 1987 fiscal year ended Feb. 1, compared to $1.98 billion for its previous fiscal year. Its toy store sales represent about 93 percent of that figure, increasing from $1.84 billion the previous fiscal year to $2.27 billion.

Charles Lazarus, chairman and ceo

Norman Ricken, president and coo

Other Operations

The company also currently owns and operates 52 Kids "R" Us children's clothing stores. KRU stores last year accounted for 5.4 percent of total company sales, or $132 million. The company also operates four department stores principally selling apparel and other soft goods, which account for the remaining 1.6 percent, or $39 million of company sales.

Net earnings for the company increased 27 percent in fiscal 1987 to $152.2 million, from $119.8 million. Comparable U.S. toy store sales rose 8.5 percent.

During 1986, TRU opened 38 toy stores in the United States and entered the Cleveland market with six stores. Internationally, it opened six additional Canadian toy stores, three in the United Kingdom and its first stores in Hong Kong and Singapore. By year-end, it had 295 toy stores in operation in 31 states, Canada, the United Kingdom, Singapore and Hong Kong. Twenty KRU stores were opened during 1986, including the stores' entry into Chicago.

As part of the company's long-range growth plans, TRU has been increasing its toy store square footage by expanding its penetration in existing markets and by entering at least one new geographic region each year. TRU utilizes 20 warehouse/distribution centers, 18 in the United States and two overseas. The DCs average approximately 250,000 square feet each.

During 1986, TRU had instituted a number of new store and warehouse programs that resulted in cost savings. Expenses as a percentage of sales declined by almost 2 percentage points last year, from 20.7 percent to 18.8 percent.

A merchandise tracking system has helped the company reduce costs by tracking unit sales by item and by store, allowing easy access for buyers to obtain the status of items in stores and distribution centers.

The continuing installation of UPC scanning at checkout lanes in stores has also reaped benefits for the company. According to a company spokesperson, the chain has decided to go with hand scanning rather than counter scanning after deciding that the hand scanner is more suited to company needs.

The company said that by the end of May the scanning system was fully operational in approximately 20 percent of its U.S. toy stores. The chain is scheduled to be substantially converted by this November and completely by early 1988. The company expects to lower store payroll costs, reduce inventory shortages and maximize business at peak hours with the scanning system.

In 1987, TRU plans to open 45 toy stores in the U.S. in such new markets as Pittsburgh and Phoenix, and 13 international toy stores in Canada, the United Kingdom and West Germany, a new market. The company is opening 30 KRU stores during 1987. Nine of these stores have already opened and will enter the new market of Detroit. Total KRU stores by year-end will be 73.

During 1987, capital requirements for real estate, store and warehouse fixtures and equipment, leasehold improvements, betterments, and other additions to property and equipment are estimated to reach $300 million. This estimated figure includes real estate of $200 million, which the company plans to finance primarily through operations, cash balances, and 8.25 percent sinking fund debentures.

The company is looking forward to the rest of 1987 due to the high technology product introductions at last February's Toy Fair, which it believes will create strong consumer interest. The continuing product expansion from competing vendors will be favorable for TRU because its 46,000-square-foot stores are large enough to benefit from this diversity.

TRU expects its effective income tax rates to decline from 46.4 percent to about 41 percent due to lower federal income tax rates in 1987. From these cost and tax savings, the company feels it will be able to strengthen its position as the low cost retailer in the toy business and plans to further lower prices in 1987 to obtain large market share gains.

If Toys "R" Us maintains its current growth rate, the chain could reach its goal of 700 stores in the next 11 years.

TRU maintains merchandising and operational uniformity in all its stores, an essential ingredient for achieving long-term consumer loyalty in all geographic markets. Analysts that follow the company believe that a true synergism exists between the TRU and KRU stores with many apparel units in close proximity.

Kidder, Peabody and Co., a New York investment firm that follows the toy chain, projects TRU to achieve earnings gains of close to 40 percent for the first three quarters of fiscal 1988.

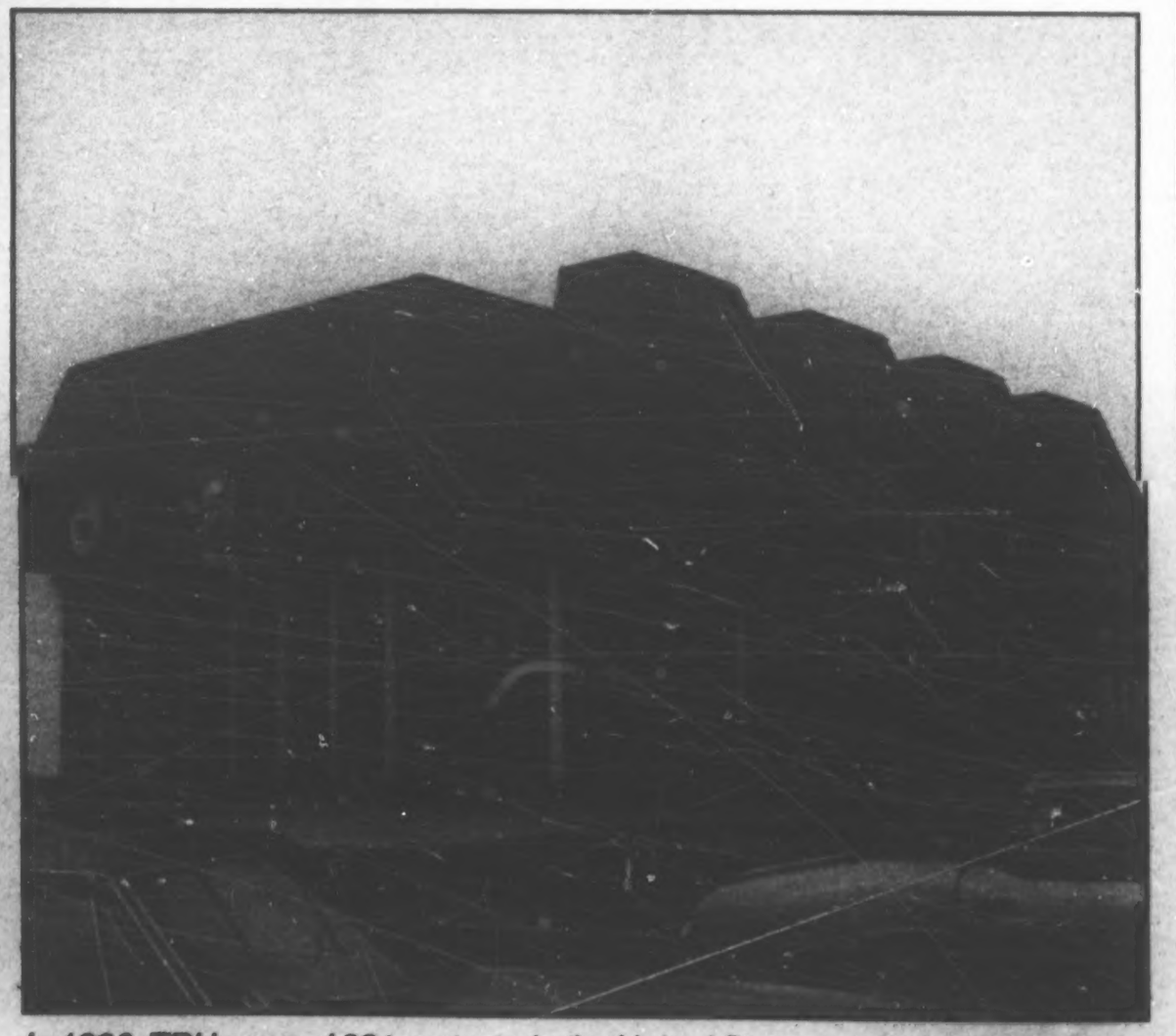
The company's net sales for the first quarter, ended May 3, were $474 million, about 28.7 percent higher than the first quarter last year. Net earnings in the quarter were $14.5 million, compared to $10.3 million for the prior year's quarter. First quarter comparable U.S. toy store volume was up 11 percent over the comparable period last year.

Toys "R" Us

	1986	1985	% Change
Sales (In Millions)	$2,270	$1,840	23%
Net Earnings (In Millions)	152.2	119.8	27
Stores	295	246	20

Sales and stores figures only reflect toy stores *Source: DSN research*

Toys "R" Us is looking forward to the rest of 1987 because of the high technology product introductions at last February's Toy Fair.



In 1986, TRU opened 38 toy stores in the United States and entered the Cleveland market with six stores. (DSN photos)

Best Tightens Jewelry Focus; Continues Store Refurbishing

RICHMOND, Va. — Best Products expects to complete a multi-faceted program this year that will transform the cataloger into a jewelry-oriented hard goods specialty retailer that will "yield improved profitability in the near term."

Chairman and chief executive officer Robert E.R. Huntley asserted earlier this year that "our turnaround program is taking hold. We are a smaller but more profitable company than we were a year ago."

Huntley became the company's top executive earlier this year when Andrew M. Lewis resigned as chairman and ceo. This ended Lewis' 17 years of service in his family-owned business that goes back to the days when Best was just a four-store, $20 million cataloger.

A key element in making the 194-store Best a "more profitable company" is the chain's sharply improved jewelry merchandising, which has seen this high-margin category's share of sales go to about 18 percent, up from only about 14 percent three years ago. In remodeled stores, jewelry accounts for as much as 20 percent of sales.

Goals for the Year

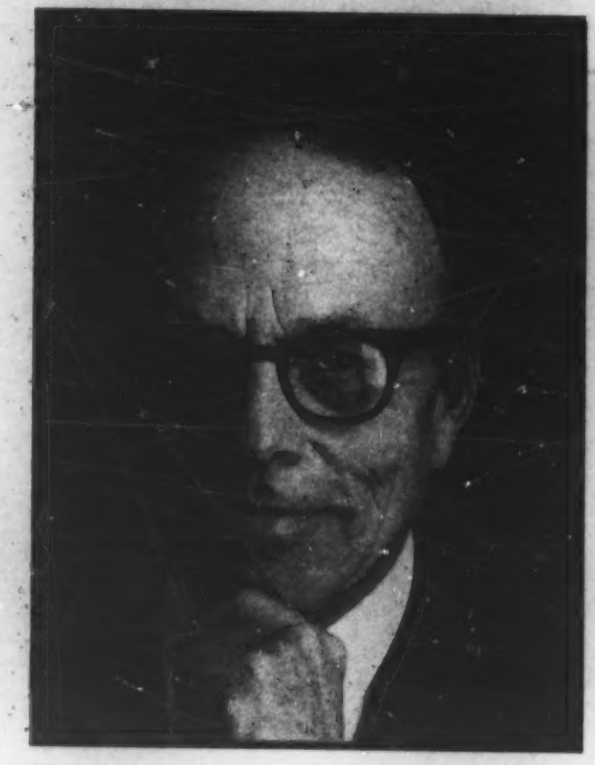
Besides completing its ongoing refurbishing effort, Best's goals for this year also include obtaining "a moderate sales increase and continued increases in margins," he said. Jewelry is also driving up the margins as this merchandise's gross margins are twice the company's average.

The cataloger's volume in the fiscal year ended Jan. 31 slipped 4.1 percent to $2.1 billion from $2.2 billion due to such diverse factors as the closing of 17 showrooms in the second half of the year, a 2 percent slide in same-store volume, renovation work in 39 units, fewer promotions, and the economic downturn in the Sun Belt, particularly in Texas where volume was off $31 million.

These negative factors, along with losses for the shutting of the 17 showrooms, disposal of the unprofitable Ashby's ladies' apparel arm and an extraordinary loss on the early payment of some debt, resulted in a $25.6 million net loss last year, compared to $2.2 million in net income in 1985.

Best's new specialty retailer marketing effort this year focuses on five core categories—jewelry and giftware, home goods, consumer electronics, leisure and juvenile—in each of which the company expects to stake out a "category dominance" merchandising stance that features sharp prices, broad in-depth assortments and customer service.

This strategy, Huntley noted, will "strengthen and enhance the market position we currently occupy so that we become a prime alternative to the price point [discount] retailers on the one hand, and the specialist on the other."



Best's new specialty retailer marketing effort focuses on five core categories. The strategy will 'strengthen and enhance the market position we currently occupy so that we become a prime alternative to the price point retailers on the one hand, and the specialist on the other.'

—Robert E.R. Huntley, chairman and ceo

He explained that these two types of retailers have experienced explosive growth in the past two decades, in the process taking market share from traditional showrooms whose merchandise assortment and prices were locked in by the annual catalog.

The new Best will markedly downplay the annual catalog and flyers, once "the definition of the business," turns it into what "we now view only as a tool for customer communications—nothing more, nothing less," Huntley said.

The annual catalog due this fall will be trimmed to about 300 pages from 436 pages last year, in the process reducing sku's about 12.5 percent to 14,000 from 12,000. Flyers will also be down-sized, and the content will change: "We will promote our core categories rather than just items and price. We will create top-of-mind awareness . . . we will convey a message," Huntley said.

Promotional Programs

Promotional programs, meanwhile, will go beyond the mailing lists used for the catalog and employ multiple, broad-reaching vehicles like radio, TV, ROP advertising, and newspaper inserts. Best won't cut its advertising but will rather redirect these dollars. "It's not how much we spend, it's how we spend it," he said.

As for the core transformation program, the steps due to be completed this year include:

- Partly remodel and rename 26 showrooms—a $10 million endeavor—to conclude the three-year, $70 million effort to upgrade almost half the chain's showrooms to its newest prototype. That presentation features an upscale look for jewelry along with more clearly defined and easier to shop areas for the four other core categories.

The renaming will mean that all the chain's showrooms will now carry the Best logo, resulting in a national identity for the company and the use of the same name on catalogs, flyers and other promotions in all markets. Previously, the company used as many as six different nameplates for its showrooms.

- Install a price lookup system at the checkouts in all its stores for mass displayed merchandise like toys and sporting goods. A price lookup program was already in use for sample sell merchandise obtained through each showroom's central order desk.
- Add Best Express, which guarantees delivery of merchandise within eight minutes of an order, to 100 stores, including the 26 units refurbished this year. The Best Express system should be installed chainwide by 1988 in all showrooms that have the front-of-store physical space for the program.
- Develop a training program for employees in categories like consumer electronics that need customer service. This will mirror the training program already in use in the jewelry area that Huntley said helped boost sales of this merchandise.

Transformed Showrooms

Best's drive to transform its showrooms into jewelry-oriented hard lines specialty stores has put expansion plans on a back burner; new stores won't be opened until 1988 at the earliest.

However, the company plans to rapidly expand its 11-unit Best Jewelry specialty store arm by opening up to 60 more stores during the next three years. These units will be spotted in markets that currently house full-line Bests to take advantage of consumer recognition of the company's name.

Best's drive to transform its showrooms into jewelry-oriented hard lines specialty stores has put expansion plans on a back burner; new stores won't be opened until 1988 at the earliest.

Best expects to complete a multi-faceted program this year that will transform the cataloger into a jewelry-oriented hard goods specialty retailer. In remodeled stores, jewelry accounts for as much as 20 percent of sales. (DSN photos)

Bradlees Reduces Overhead, Begins to Regain Profitability

BRAINTREE, Mass. — Bradlees' efforts to re-establish itself as a price-promotion discounter—and regain its position as the dominant profit center for its parent, Stop & Shop—show signs of bearing fruit.

Sales for the fiscal year ended Jan. 31 rose 19 percent to $1.9 billion, from $1.6 billion in fiscal year 1986. And comparable store sales gained 5 percent.

Other results from fiscal 1987 substantiate a statement in the letter to stockholders from Stop & Shop chairman and chief executive officer Avram J. Goldberg that "Bradlees has fundamentally lowered its overhead expense structure."

Chairman and ceo Harold Frank was on hand for the opening this spring of a new Bradlees store in Groton, Conn.

Improvement in Profitability

Bradlees contributed 51.4 percent, or $56.6 million, of corporate operating income for the year, compared to 41.1 percent, or $30.7 million, the previous year. The improvement in profitability was far greater than its increase in total corporate sales, which increased slightly to 48.4 percent from 47.2 percent for the previous year.

Nonetheless, Bradlees, as a profit center for the supermarket chain, remains far below the commanding position it enjoyed in 1983, when it contributed 83.4 percent, or $80.5 million, of operating income for the company, and in 1984, when it accounted for 75.4 percent, or $85.3 million.

Other signs of progress include plans to open 10 stores in 1987 for a total of 172, compared to the gain of eight stores in 1986. In addition, the discounter intends to upgrade a "sizable" number of stores to the standard Bradlees prototype in 1987 after renovating seven last year. The new stores include three this fall in a new market, North Carolina (see *DSN*, July 6, page 1).

Indicative of its leaner operating structure, Bradlees over the past year has declined to fill the position of president after Harry Kohn Jr. resigned last July, and pressures from its parent to cut costs resulted in the elimination of two senior vice president posts in January. The two senior vps, Edward T. Cooney, personnel and distribution, and Richard S. Silverman, director of stores, have left Bradlees.

In January, executive vp George M. Granoff assumed additional responsibilities for stores, store operations, marketing and sales promotion, on top of his responsibility for all merchandising divisions.

In another corporate cost-cutting measure, Bradlees had to make room for its parent to move corporate offices into its Braintree headquarters. As a further part of cost reduction, Stop & Shop is negotiating to sell its money-losing Almy's unit, a 19-store New England discount chain that it acquired in late 1985.

Citing the ongoing restructuring, a Bradlees spokeswoman said no chain official, including chairman and chief executive officer Harold Frank, would comment for this article.

Bradlees now is well into the third year of what a Prudential Bache analyst views as a four-year program to cut costs and get back into discounting after falling onto hard times as it attempted to become a full-price "department store with a difference."

Economy measures, though, haven't held Bradlees back from upgrading the point of sale computer system it began installing two years ago. It is phasing in IBM's newest POS system, along with a diagnostic monitor called AUTOSHUNT. The monitor will help curb system down town by checking the status of each electronic register and the wiring that connects it with a central computer, quickly identifying any malfunctions.

The new POS system will enable the chain to speed customer service by scanning UPC bar codes, looking up prices for all merchandise and verifying credit almost instantaneously.

To emphasize its discount image, Bradlees is going chainwide with a "Certified Value" program covering about 100 items in various departments. Distinctive black and yellow signs identify items that are "in demand by you, our customers; recognized for quality; and low priced."

In addition, "Front and Center" tables at store entrances enhance the discount image by featuring special weekly bargains on such items as light bulbs.

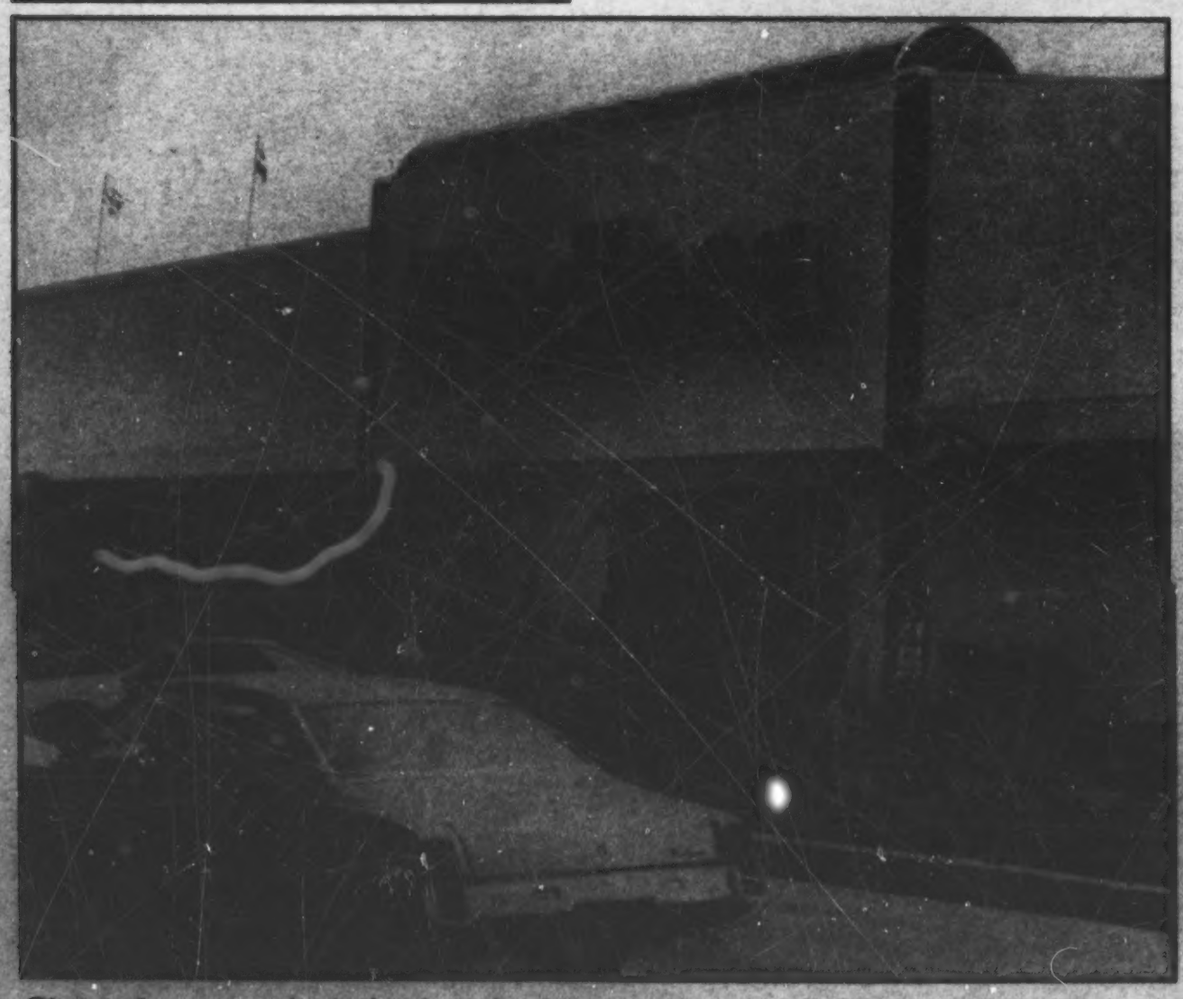
Another wrinkle in new stores is the installation of service phones sprinkled throughout the store for customer convenience.

The improvement in profitability was far greater than its increase in total corporate sales, which increased slightly to 48.4 percent from 47.2 percent.

Bradlees

	1986	1985	% Change
Sales (In Millions)	$1,900	$1,600	19%
Operating Income (In Millions)	56.6	30.7	84
Stores	162	157	3

Source: DSN research



Signs of progress include plans for 10 new stores in 1987 for a total of 172, compared to eight opened in 1986. This Newark, Del., unit opened in March 1987.

Bradlees intends to upgrade a sizable number of stores to the standard Bradlees prototype during 1987. Seven units were renovated last year. (DSN photos)

Ames' Sees Brighter Future After '86 Shrinkage Problem

ROCKY HILL, Conn. — Ames Department Stores, the 466-unit discount and variety store chain headquartered here, entered 1986 with expectations of another record year. The company had posted record sales and earnings ($40.4 million net on sales of $1.5 billion) in 1985 and was in the process of incorporating its recently acquired Murphy's Mart stores through an ambitious remodeling program.

Remodeling began soon after the new year, and by year-end 24 discount stores (17 of them former Murphy's Marts) had been remodeled and 17 new stores opened. In August, former Zayre and Fisher's Big Wheel executive Peter Hollis was named the company's new president, filling a position that had been vacant for nearly a year.

At mid-year inventory, Ames appeared to be headed for a year of steady growth, despite declining sales in its higher-margin apparel departments. However, starting sometime shortly after mid-year, millions of dollars worth of merchandise was apparently siphoned out of the company's Secaucus, N.J., distribution center. By year-end, when the shortage was discovered, the total loss had reached $18 million to $20 million.

Ames immediately launched an investigation into the episode, but to date there have been few results. No one knows, for instance, if the missing merchandise even arrived at the warehouse. Management has promised full results of its investigation some time in early September.

The result of the shrinkage was a 33 percent drop in earnings to $27.1 million, which was a bit less than the 1984 level, on sales of $1.89 billion. That event has overshadowed the steps Hollis and chairman Herbert Gilman have taken to revamp the company's operations.

Last month's Ames stockholder's meeting hinted at some of these new approaches.

Hollis noted that the company's variety stores (142 Murphy's Marts not converted into Ames stores) accounted for "about $200 million" in sales last year, but had not met profit expectations. He suggested that these stores would make perfect testing grounds for merchandising experiments or even new specialty retailing concepts.

Hollis also announced that the company was developing a new store prototype for its Ames division and isolated areas the company plans to improve upon through the next year. Apart from obvious security improvements (including one-way-out consumer electronics departments), Hollis listed fashion forward orientation, increased customer service meant to cut back on lines at the cash register, strengthening in-stock position on "most wanted" items, expansion of its everyday low price program and sharpening its merchandising focus as 1987 priorities.

Early on, Hollis said the results are already gratifying. He cited sharp sales increases in additional everyday low price items, such as selected Fisher Price toys, a 72 percent drop in rainchecks, doubled and tripled sales of key hot items, and increased sales from reduced sku's in women's clothing and patio furniture as examples of Ames' revised strategy.

First quarter 1987 results back Hollis up. Net profits were up 20 percent to $6.95 million on a sales increase of a little over 19 percent to $448 million, and same store sales jumped 17 percent.

Those results reflect a 1.1 percent of total sales reserve pending results of a mid-year audit. If last year's extraordinary rate of inventory shrinkage does not recur, the profit picture will be even brighter.

Ames is strengthening its everyday low pricing programs as one of its priorities for 1987. So far, the chain reports sharp sales increases on those items.

Ames' remodeling program has continued unabated, with 28 more stores refinished so far this year. Management expects to complete the updating by next year. According to Hollis, remodeled stores average sales gains of 30 percent and are far more profitable in apparel than in older stores.

The company plans to open 27 new stores this year, of which five have already been inaugurated.

Hollis noted at the meeting that significant inroads have been made in reducing store salary levels (particularly at the remodeled Murphy's Mart locations) and in improving computerized control of inventory levels to avoid alternate overstocked and understocked situations.

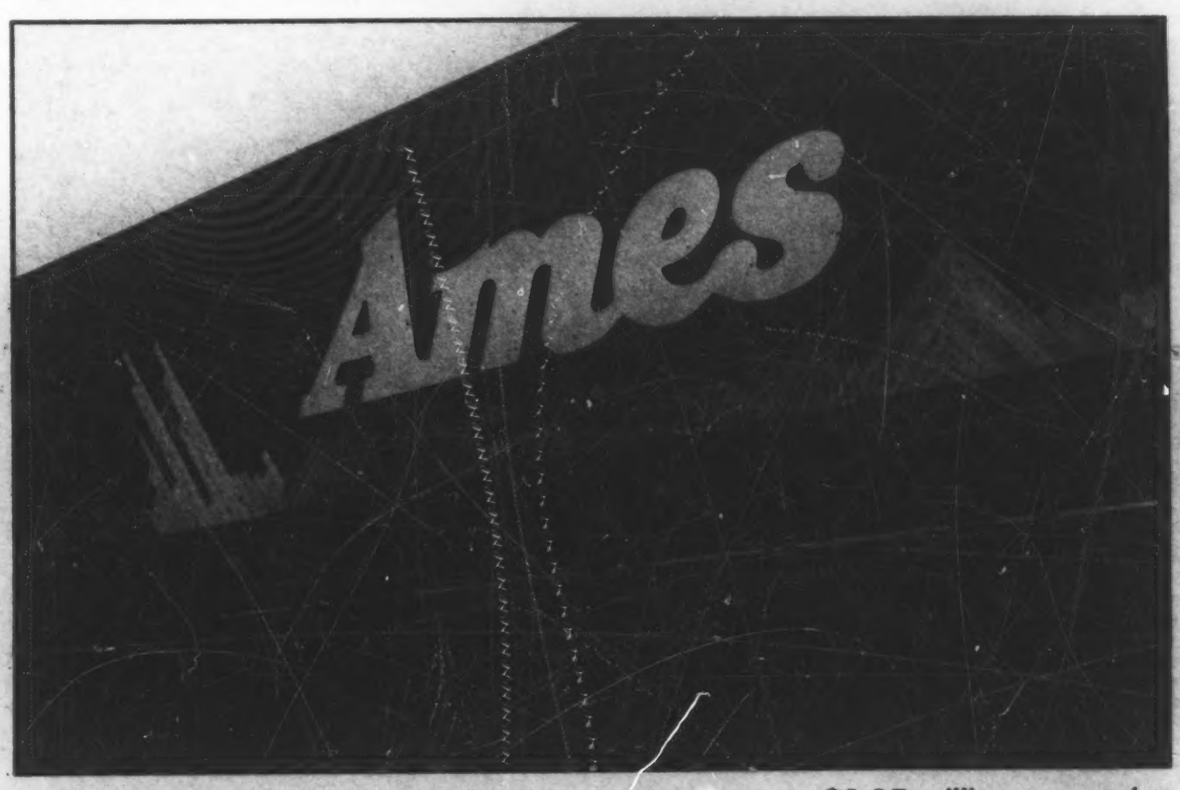
In addition to naming Hollis as president, Ames has added several key executives over the past year. They include executive vice president and general merchandise manager Leslie Dietzman, executive vice president James McKitrick, who is in charge of variety stores, and chief financial officer Duane Wolter.

Ames

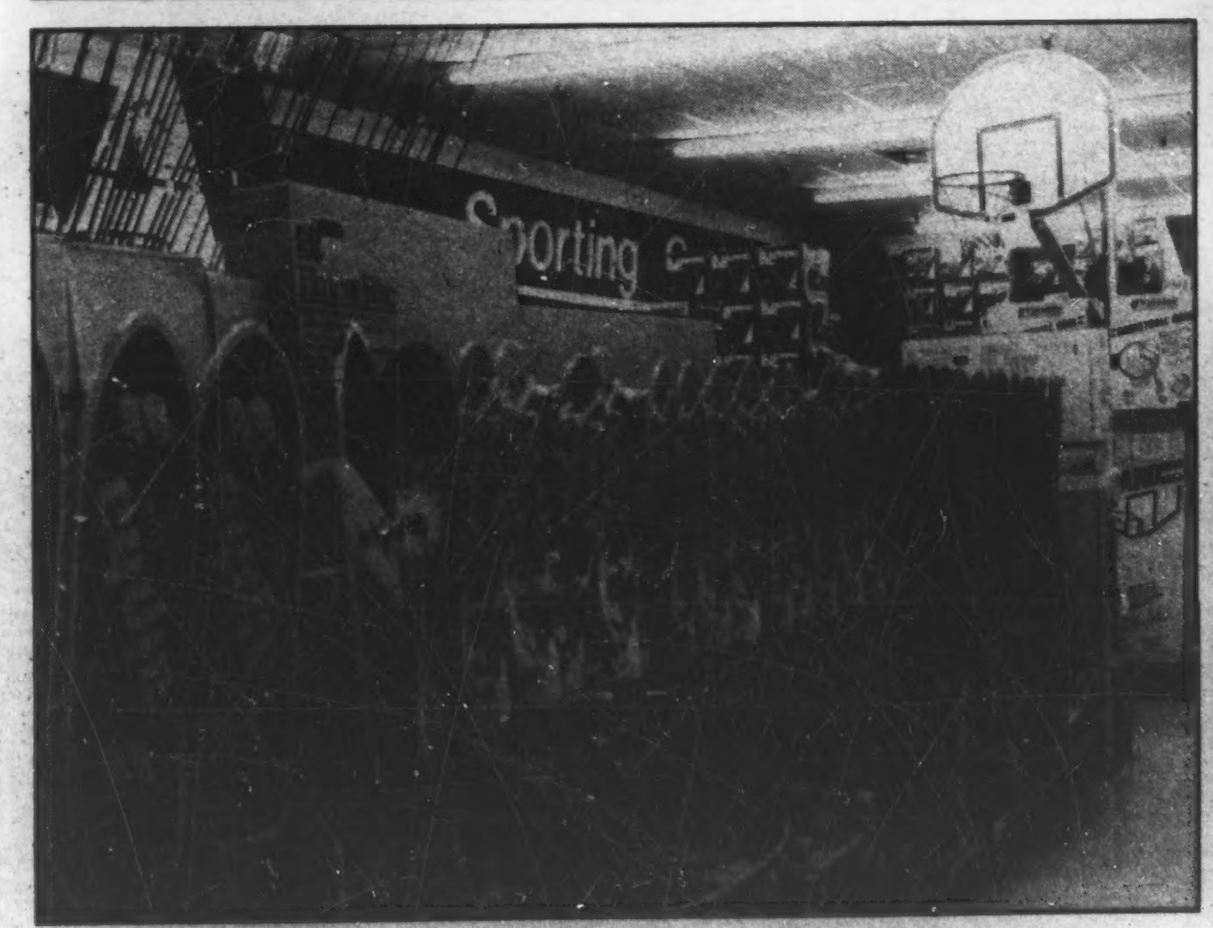
	1986	1985	% Change
Sales (In Millions)	$1,888	$1,513	25%
Operating Income (In Millions)	54.3	72.4	(25)
Stores*	321	306	5

*Includes Ames discount stores only

Source: DSN research



Net profits for first quarter 1987 were up 20 percent to $6.95 million on a sales increase of a little over 19 percent to $448 million. (DSN photos)



At the meeting, president Peter Hollis listed increased customer service to cut back on checkout lines and sharper merchandising focus as 1987 priorities.

Herbert Gilman, chairman

Peter Hollis, president

SAM'S WHOLESALE CLUB ANNUAL REPORT

Sam's Poised to Become Leader of Membership Chains

BENTONVILLE, Ark. — After just five years of fast-track growth, Sam's is poised to become the leading membership warehouse chain this year, easily passing the industry's founder and premier company, the Price Club, in number of stores and likely beating it in sales, too.

Sam's leapfrogging the Price Club will be markedly aided by the acquisition last month by its parent Wal-Mart Stores, of the Super Saver Wholesale Warehouse firm, with 17 of the latter's stores due to take on Sam's logo once the transition period deal is completed at the end of July.

Sam's half-decade growth reflects Wal-Mart's determination to broaden its traditional discount store marketing to new retailing businesses, while also staking out the top position in the young, but fast maturing, membership warehouse field.

Since Sam's was launched with just three stores in 1983, it has on the average doubled its sales as well as size (in number of units and footage) in each of the subsequent years so that in 1986 it reached $1.67 billion in volume from 49 clubs that had more than 5 million square feet of space.

In the previous year, Sam's had $775 million in sales from 23 stores that contained a total of 2.4 million square feet.

In the process, the membership warehouse chain has played a larger and larger role in Wal-Mart's explosive sales growth. In 1985, Sam's contributed 9.2 percent of its parent's volume, while last year that share grew to 14.1 percent. Sam's sales went up 116.2 percent over the course of the two years, while Wal-Mart's volume was substantially less—a respective 40.9 percent.

Sam's sales, which range between $50 million and $75 million a store—and with a growing number of units reaching $100 million—are two to four times more than a typical Wal-Mart store. It's likely that Sam's will become the sales stallion that will pace its parent's revenue growth.

The membership warehouses also are playing two other, equally important roles in the Wal-Mart marketing saga. Sam's has become Wal-Mart's merchandising vehicle in major metro markets—with the traditional discount stores spotted mainly in small towns and the suburban fringes of large cities—and the striking success of the wholesale club division has resulted in Wal-Mart applying many aspects of this operation to the parent's plans to enter the hypermarket field.

Last year, more than half of Sam's new stores were spotted in large metro markets where they complemented and supported older membership warehouses. This move reflects Sam's real estate strategy of market dominance and saturation that Wal-Mart views as the key to the ongoing profitability of its membership warehouses.

Sam's learning curve contribution to the proposed Hypermart USA hypermarket business includes the wholesale club's low cost distribution, the strong appeal of the combined selling under one roof of food and general merchandising, and shopper acceptance of bulk displays using warehouse-type fixtures.

While Wal-Mart is applying its Sam's experience to fuel the company's growth, it hasn't reined in the membership warehouse's expansion. This year, Sam's was due to open 20 membership warehouses, adding another 2 million square feet of space, prior to picking up the 17 Super Savers, along with the sites of five more that the acquired warehouse club had planned to open in the fall.

Sam's			
	1986	1985	% Change
Sales (In Millions)	$1,678	$775	117%
Operating Income	NA	NA	—
Stores	49	23	113

NA— not available *Source: DSN research*

Super Savers will be easily melded into the Sam's operation as both chains operate very similar 100,000-square-foot stores. The four Super Savers that are to be shut include units in Amarillo, Tex., already closed; Memphis, Tenn.; Jackson, Miss.; and Greenville, S.C. In five other cities where the two compete, Sam's will use Super Savers to strengthen its market position.

While Sam's has focused on 100,000-square-foot metro market stores, last year it opened scaled back 60,000-square-foot units in the smaller cities of Lawton, Okla., and Bowling Green, Ky., as a test. The mix in these mini-units has been cut back from Sam's typical 3,500 skus to about 2,800 skus through the elimination of lower-priced, consumer-oriented products, so that the merchandising in the test stores centers on a sharper wholesale assortment for business members.

Additional mini-Sam's are likely to be opened as the wholesale club starts to fill in markets within its overarching South and Southeast and thereby slow down and possibly prevent other membership warehouses from expanding there.

Sam Walton, chairman and ceo

This year Sam's will enter such new metro markets as Fayetteville, N.C., Baton Rouge, La., Columbia, S.C., and Savannah, Ga., along with smaller communities like Springdale, Ark., and Irondale, Ala. The Super Savers acquisition will see Sam's beef up its presence in metro markets like Oklahoma City, Jacksonville, Fla., and Louisville, Ky., while also putting the chain in such new cities as Pensacola and Tallahassee, Fla., Huntsville and Mobile, Ala., and Charleston, W. Va.

CALDOR ANNUAL REPORT

May Overhauls Caldor Executive Suite After Aquisition

NORWALK, Conn. — The major development at Caldor last year was the discounter's acquisition by its second new corporate owner in four years when May Department Stores Company acquired the discounter through its purchase of Associated Dry Goods in October.

ADG had acquired Caldor just four years earlier. Since the acquisition, May has overhauled the Caldor executive suite by replacing the chairman and chief executive officer and president with Venture executives and four senior vice presidents, for finance, stores, hard lines and soft lines. In addition, it moved to standardize operations between Caldor in the East with its more profitable Venture discounter in the Midwest.

In just six months, May officials claim they have turned around Caldor, whose operating income plunged 17 percent in the fiscal year ended Jan. 31, 1987, on a sales gain of 5 percent. Same store sales eked out a 1 percent gain.

Operating income of Venture gained 38 percent on a 14 percent sales increase. Yet no merger between Venture and Caldor is in the works, insisted Thomas Hays, May president.

For the quarter ended April 30, 1987, sales rose 12.6 percent to $300.6 million, from $266.9 in the same period last year, said May treasurer Jan Kniffen. Same store sales gained 7.4 percent. Caldor sales in May continued the trend: total sales rose 9.8 percent, with same store sales increasing 6.7 percent.

May chairman David Farrell told New York analysts last month that Caldor was one of three former ADG units to get priority treatment.

Within 24 days of acquiring Caldor, May replaced its chairman and ceo with Venture chairman Don Clarke. It shifted Marc Balmuth from executive vp, Venture to president of Caldor. Venture's Michael R. Lynch moved to Caldor as director, stores.

From various department store units, May brought in three more senior vps: John Cook as Caldor's new chief financial officer; Elliott Kerbis as general merchandise manager, hard lines; and James D. Lee, gmm, soft lines.

In the May annual report for fiscal 1987, chairman David Farrell acknowledged that "Caldor's 1986 results were disappointing."

Although sales rose to $1.4 billion from $1.3 billion, operating income plunged to $75 million, from $90 million in 1985. Income thus fell to the 1984 level when it operated 103 stores. Return on sales slipped to 5.3 percent in 1986 from 6.7 percent the year before.

In comparison, Venture contributed $80 million in operating income, generating $1.2 billion in sales from just 65 stores.

Caldor lacked direction, prior to the acquisition, Hays said. Since then, Caldor has sharpened the practices that any good discounter follows, he said. Those include:

- Cleaning stores better;
- Widening aisles, adding 3,500 aisle tables and pallets in its 116 stores;

Caldor			
	1986	1985	% Change
Sales (In Millions)	$1,411	$1,338	5%
Operating Income (In Millions)	75.0	90.0	(17)
Stores	114	109	5

Source: DSN research

- Adding 10,000 endcaps;
- Buying 12,000 shopping carts;
- Laying out better planogramming;
- Cutting sku's by 30 percent to 35 percent;
- Reducing the number of vendors;
- Addressing a severe out-of-stock problem brought on by broad, but thin, selections;
- Reducing percentage-off sales on entire lines, and instead focusing on selective sale items;
- Developing a prototype signage program scheduled to hit all stores by November;
- Rearranging fixtures.

In addition, Caldor has slashed $50 million in old, slow-moving inventories since taking over and plans to move $50 million more.

Caldor will open three stores in 1987, down from seven in 1986. In March, it opened a new store in Westminster, Md., and plans to open new units next month in Plainsboro, N.J., and a sixth store in Philadelphia. For the five years from 1986 through 1990, Caldor plans to open 27 stores.

Checkout scanning is being installed in stores of its sister chain, but scanning will have to wait until next year, Hays said.

Don Clarke, chairman and ceo

"Absolutely no merger" between Venture and Caldor is in the cards, Hays said. "The question keeps coming up, but it's not necessary. "Both companies have strong customer franchises in their geographic areas. They don't compete directly, and they enhance each other."

New Exec Team Looks to Revitalize Marshalls' Earnings

WAKEFIELD, Mass. — Marshalls is aggressively increasing its mix of better branded apparel and has added key top executives over the last six months in an effort to revitalize its earnings, which slipped during fiscal 1986.

While Marshalls remained the country's leading apparel off-pricer last year with sales of $1.41 billion (a 6.5 percent increase over 1985), the chain did not meet earnings expectations, posting operating profits of $100 million in 1986, a dip of 5 percent from 1985 operating profits.

However, Marshalls has added a brand new president, Francis H. Arnone, who started two weeks ago. Arnone, who at one time had been chairman and chief executive officer of The Broadway, is expected to spearhead the 268-unit chain's turnaround strategy.

In February, Marshalls added a key top merchandiser, David Dash, from Lord & Taylor, who helped refocus Marshalls, merchandise mix toward higher-end brands in the women's wear and accessories categories, among others, for which he's responsible. The move toward higher profile and, in most cases, higher priced brands is storewide.

Other key management additions over the past several months include two new senior vps: Rocky Sullivan, store operations (from Chess King, another Melville division), and Jim Mixon, warehousing, distribution and traffic (from Wal-Mart, where he held a similar position).

According to Kenneth Berland, vice chairman of Melville, Marshalls, parent, the addition of Dash has also allowed a splitting of top merchandising duties at Marshalls between two senior vice presidents. Lawrence Finn, who in the past handled all categories storewide, now handles only men's and children's. Berland emphasized that these moves have allowed Marshalls to become a better consumer-driven merchandiser since the beginning of the year.

Nevertheless, comparative store sales for first quarter 1987, ended March 28, were up just 0.1 percent over first quarter 1986.

Second quarter figures should reflect the turnaround, said Berland.

He added that Marshalls "had gotten away [during the last couple of years] from what we traditionally did best"—offering better branded apparel at price points 20 percent to 60 percent lower than most department stores.

As Marshalls continued expanding through the early 1980s and started being undercut by other, newer apparel off-pricers, the chain began competing more with the new off-pricers and other full-line discounters than with department stores. Marshalls soon became more concerned with lower price points than with being customer driven through carrying the right goods for the department store-type shopper.

However, Berland said the chain is back on track.

Dash seconded Berland's comments, adding that Marshalls' single biggest challenge going forward is to continue "to support the size of our business with the right goods."

Dash said that "the response at store level [to the better branded merchandise] has been astounding." He said that sales during April and May were strong. He added that over the next couple of years he expects sales of better branded goods to be as much as 33 percent of the mix, with moderate branded goods representing the remaining 67 percent.

Neither Dash nor Berland wanted to name specific brands, but Marshalls carries many of the same brands as moderate to higher-end department stores.

Marshalls has already opened seven new units in existing markets since the beginning of the year, and Berland said the company expects to end the year with 286 units. He said Marshalls is also on plan to open an additional 25 stores in 1988.

Marshalls is Melville's largest division, accounting for approximately 28 percent of Melville's sales and operations.

Marshalls

	1986	1985	% Change
Sales (In Millions)	$1,410	$1,324	6%
Operating Income	NA	NA	—
Stores	261	236	11

NA—not available

Source: DSN research

Marshalls remained the country's leading apparel off-pricer last year with sales of $1.41 billion, a 6.5 percent increase over 1985. (DSN photo)

Increased Competition Buffets Meijer Superstores' Sales

GRAND RAPIDS, Mich. — During the past 12 months, Meijer Inc. has been hustling.

In that time, the 53-store chain:

- Dedicated itself to an enlarged superstore format;
- Closed its stores in Kentucky and in the city of Cincinnati;
- Jumped into the Columbus, Ohio market with a handful of stores;
- Initiated what could become a full scale attack on the city of Dayton, Ohio;
- Purchased a 200-acre parcel of land in Detroit for building a 500,000-square-foot distribution center scheduled for fall construction.

The superstore retailer's major strength is as a one-stop combination general merchandise, grocery and services retailer. But, while Meijer is definitely on the move, so is competition. Grocery store and mass merchandiser competition seems to be keeping pace with Meijer's store development plans.

Cub Foods, Big Bear, Kroger and other food stores together with discounters K mart, Harts, Gold Circle and Maumee, Ohio-based The Andersons are forcing the chain to lower prices, and this could be one reason why Meijer's profits are estimated to be flat for the year despite modest sales increases.

In a Dun & Bradstreet report, Fred Kistler, Meijer's vice president and treasurer, said sales volume growth during 1986 is due to new store openings and moderate growth at existing stores. Profits, on the other hand, will remain the same due to what was termed "pricing decisions in various marketing areas."

Sales in 1985 were estimated at nearly $3 billion. At the superstores, 55 percent of sales were on general merchandise and 45 percent were from groceries. And a fraction of the sales were generated by the company's specialty retail stores.

Meijer opened three Columbus superstores already this year: one in the northwest part of the city on Saw Mill Road, another on the east side off Brice Road was opened in April, and a third was opened in May in western Columbus. A fourth store north of Columbus on Route 23 in Delaware County is currently under construction.

Three 33-acre sites have been selected in Dayton but the food store competition in that market is also starting to boil.

Cub supermarkets has started construction on three stores, with another two sites under consideration, according to a retail observer in that market. Kroger is counter-attacking by developing a new 55,000-square-foot format instead of its usual 30,000-square-foot to 40,000-square-foot norm. Competing for general merchandise sales are Gold Circle, Hills and K mart. The Andersons will bring its superstore format to the market next year.

The chain wanted to develop its superstore concept in its now vacated eight Cincinnati stores, according to a retail source in that market, but competition from Kroger and IGA food stores prevented Meijer from adding groceries to its primarily general merchandise format. Even if Meijer had decided to add groceries, the 65,000-square-foot Cincinnati stores couldn't accommodate its current 225,000-square-foot format.

Meijer

	1986	1985	% Change
Sales* (In Millions)	$1,400	$1,200	17%
Operating Income	NA	NA	—
Stores	53	54	(2)

*Does not include supermarket items

NA—not available

Source: DSN research

Fred Meijer, president of the 53-unit superstore chain. (DSN photo)

Hills Anticipates Fast Growth Rate; Plans 12 to 15 Stores

CANTON, Mass. — Anticipating a faster rate of growth than it has ever experienced, Hills Department Stores is opening 12 stores to 15 stores this year and plans to open 16 more in fiscal 1988.

1986 marked the 29th consecutive year of increasing sales and profits for Hills, with sales up 10.7 percent over 1985. Last year, Hills showed an operating profit of $94.4 million on $1.343 billion in sales, up from the $74.1 million operating profit on $1.214 billion in sales in 1985.

New Stores in 1986

During 1986, 11 new stores were opened and comparable store sales increased 6 percent. The company attributed the increase to high performance in women's and children's apparel, as well as electronics, toys, and health & beauty aids. Operating income, before an inventory charge of $41.3 million, was up 27.4 percent to $94.4 million.

The nonrecurring inventory charge of $41.3 million and interest expense of $65.9 million resulted in a net loss of $14.8 million for the company in 1986.

Inventory Turns

The company achieved 4.4 inventory turns in 1986, which Hills credits to its directship distribution system. The company does not maintain a central distribution center or warehouse, but rather orders goods from suppliers for shipment directly to Hills stores.

In 1986, comparable stores averaged $159 in sales per square foot compared to $152 in 1985.

Hills Department stores, once a public chain that was taken private in a management-led leveraged buyout in December 1985, has announced intentions to go public once again in 1987.

The company's founder and current chairman of the board, Herbert H. Goldberger, along with his son, Stephen A. Goldberger, who is now president of the company, were part of the management group that combined with THL Company president Thomas H. Lee, grandson of SCOA's founder, to purchase the company for $637 million in late 1985.

SCOA's shoe store, shoe importing, licensed shoe department and dry goods operations, which were responsible for 20 percent of the company's sales but only 4 percent of its profits, were sold in the spring and early summer of 1986 to repay acquisition debt.

'In our case, it is more important to be a leader because we have no exposure in the newspaper . . . we must always have new and exciting merchandise in the store, particularly soft lines, because we want to be a fashion leader.'

—Gene O'Donnell, senior vp, gmm

William Friend, vice president and secretary of Hills, said that the company plans to raise roughly between $80 million to $100 million in the offering. He added that the decision to go public at this time was made to "take advantage of good market conditions."

The largest concentration of the chain's stores is in Pennsylvania, totaling 41 stores. The second largest concentration is in Ohio, which has 28 Hills stores. Remaining stores are located in New York, Tennessee, Indiana, West Virginia, Virginia, Kentucky, Illinois, Alabama, Georgia and Maryland.

Hills will be entering a new market, Grand Rapids, Mich., with five locations by late summer and fall. In addition, Hills expanded in the New York and Ohio markets with locations in Plattsburgh, New York, and Chillicothe and Miamisburg, Ohio. It plans to open two more stores in Ohio, one in New Philadelphia by spring 1988 and one in Lancaster by the fall.

The 139-store chain will also be opening two Michigan stores in Monroe and Adrian by the fall and plans to open four Indianapolis stores and one Massachusetts store between the fall and spring of 1988. The Massachusetts store marks Hills entrance into its 14th state and the site of its home office.

The new store in Adrian will be the new 60,000-square-foot prototype introduced by Hills in 1986. Gene O' Donnell, senior vice president and general merchandise manager, said that the chain experimented with two 60,000-square-foot stores last year to complement smaller towns and capitalize on the same media vehicles.

"This has been a whole new area of growth for us and we are planning more 60,000-square-foot stores in 1987," O'Donnell said. "We wouldn't put a 60,000-square-foot store in a market where we are not known, but it is very successful when we use it to fill out markets where we are known," he added.

Hills			
	1986	1985	% Change
Sales (In Millions)	$1,343	$1,214	11%
Operating Income (In Millions)	94.4	74.1	27
Stores	136	125	9

Source: DSN research

The largest concentration of Hills stores is in Pennsylvania, totaling 41 stores. The second largest concentration is in Ohio, with 28 Hills stores. (DSN photo)

Innovative Retailing

Hills is an innovative retailer that is looked upon as a leader among other chains due to its policies of not running sales nor accepting credit cards. The chain found that when entering new markets a strong institutional advertising approach upfront enables people to understand the store's policies right away before they walk in the door.

"In our case, it is more important to be a leader because we have no exposure in the newspaper," O'Donnell said. "We must always have new and exciting merchandise in the store, particularly soft lines, because we want to be a fashion leader."

The chain is being hit with more specialty store competition, especially from toy stores. Hills stores typically have a 5,000-square-foot toy department that contributes to over 10 percent of the stores' sales. The chain is also facing stronger competition from larger chains. "It is not additional competition, it is better competition and we can't be complacent these days," O'Donnell said.

Hills is basically, first and foremost, a store that really appeals to the female head of the family. Sixty percent of its volume is soft lines. Other areas that appeal to its target customer include toys, seasonable items, housewares, health & beauty aids and greeting cards.

Comparable store sales for Hills increased 6 percent in 1986. The company attributed the increase to high performance in women's and children's apparel as well as electronics, toys, and health & beauty aids. (DSN photo)

Stephen Goldberger, president and ceo

Rose's Meets Challenge of Increasing Market Competition

HENDERSON, N.C. — Rose's Stores is in no situation to sit on its laurels, despite breaking the $1 billion sales mark during 1985 and generating 19 percent additional sales in 1986; giant Wal-Mart has targeted the Rose's market area for expansion.

The chain, like many others, is also facing economic challenges in the third quarter and fourth quarter of this year due to the higher cost of merchandise.

Wal-Mart operates stores in about 25 percent of Rose's markets at present, or more than 50 shopping localities. By the end of 1987 Rose's and Wal-Mart are likely to be within a few miles of each other in as many as 60 locations, according to industry sources.

Lucius H. Harvin III, chairman and ceo

John W. Little, senior vp, merchandise

Jack E. Bush, president and coo

Competition Will Increase

John Little, Rose's senior vice president, merchandise, said he anticipates "significant increases in competition between the two companies" in the years ahead.

Working on the premise that the best defense is a strong offense, Rose's will combat the discount giant through lowered operating costs combined with better store signage and merchandise presentation, among other tactics, Little said.

Store maintenance is being improved through better communications. Standards established by Rose's headquarters were being carried out better by store level employees. Little estimated that execution of standards has improved by about 50 percent over last year.

As an example of how communication was key to these improvements, Little said it was discovered that merchandise presentations simply couldn't be set up properly because some of the stores didn't have all the necessary fixturing. Once the problem was communicated from the store level to headquarters, the remedy was a simple matter. Now each store location is equipped with the proper racks and gondolas. The company is pursuing better channels of communication between stores and management.

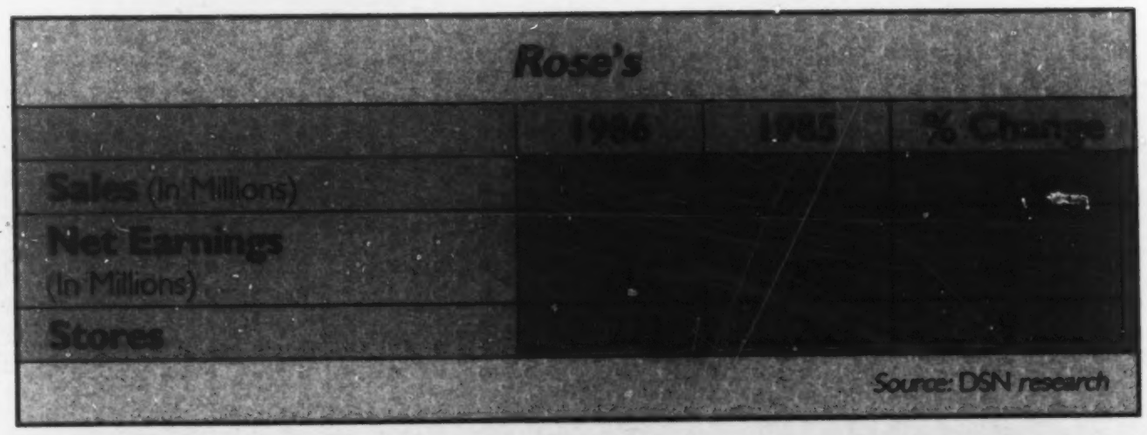
Looking ahead to the second half of 1987, Rose's will struggle with the same high-cost situation facing all retailers. Protectionist constraints against imports meshed with the declining value of the dollar have resulted in higher merchandise costs.

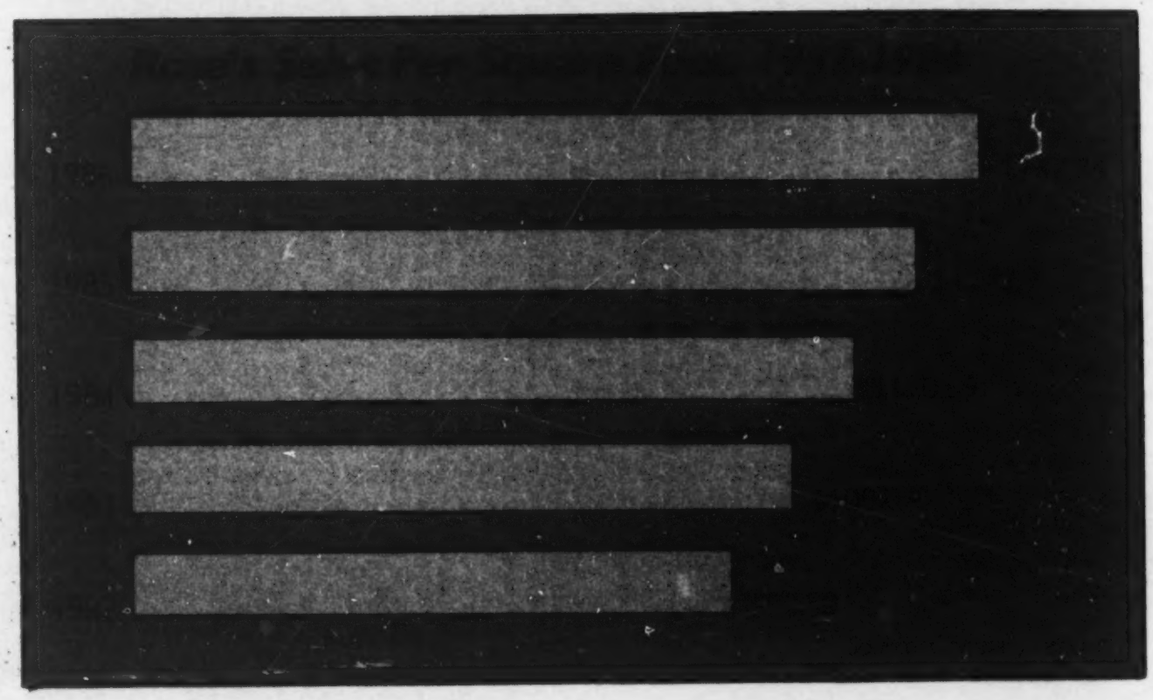
Price hikes at the retail level are warranted, but the host of other retailers sharing the chain's market areas might prevent Rose's from passing on the entire burden to consumers, resulting in a drain on the bottom line.

Little said there is no doubt that the chain will need to pass on some of its higher merchandise expense, but noted that the question is: "How much will the competition let you?"

Competition isn't the only factor influencing retail pricing during the second half of the year. Results for the third and fourth quarters might hinge on how much the Rose's shopper can afford to pay.

The economic environment of the rural Southern consumer has been changing in recent years. For example, many of the small towns that Rose's serves in North Carolina and South Carolina were dependent on sewing needle manufacturing, an industry that over the past several years has all but vacated those states and is destined for Europe.





Rose's will ward off the increasing competition in its market area through lowered operating costs combined with better store signage and maintenance as well as improved merchandise presentation.

Limited Shopping Budgets

Even if Wal-Mart, K mart, Family Dollar, Sky City and other chains that share Rose's market each passed on the merchandise cost to consumers, there is a reason to question whether these shoppers' budgets would let them pay the price.

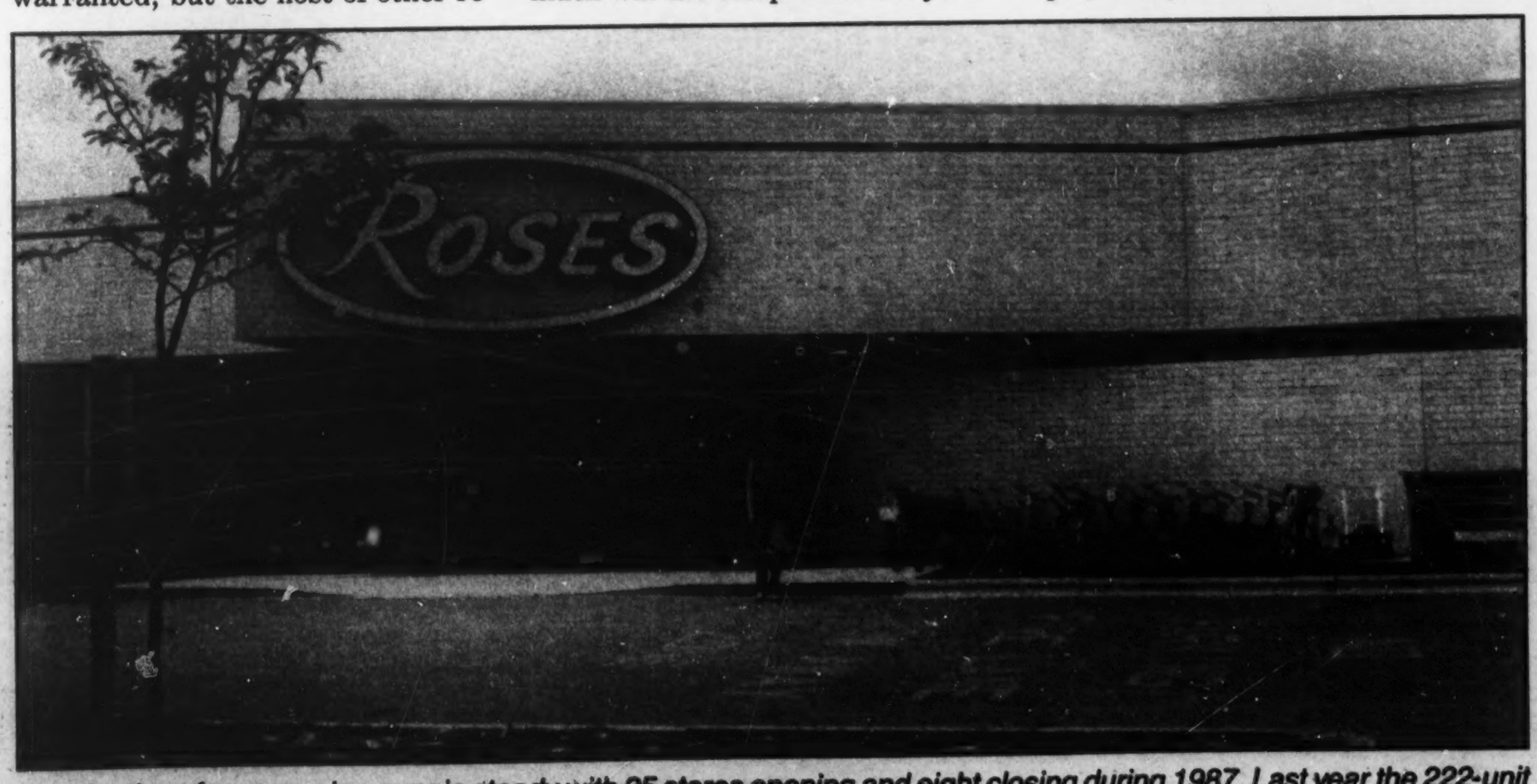
Expansion plans at Rose's will remain steady with 25 store openings and eight closings planned during 1987. The chain opened 25 stores last year and closed seven. At present the chain consists of 222 stores, situated from Delaware to Florida and as far west as the Mississippi Valley, with about 75 percent of its stores in the Carolinas and Virginia.

Rose's sales climbed 19 percent to $1.2 billion for the fiscal year ended January 1987, and net earnings rose 18 percent to $24 million. Same store sales rose 8.8 percent for the recently completed fiscal year, up from 3.8 percent between 1985 and 1986.

The 1986 Tax Reform Act eliminated some of the company's tax credits and resulted in a 44.8 percent tax rate, or a rate that was 4.5 percent higher than the previous year. Pretax earnings were up 28 percent.

Operating expenses as a percentage of net sales edged downward to 20.0 percent from 20.4 percent, while gross profits as a percentage of net sales declined to 22.7 percent from 22.9 percent. The decline resulted from the company's LIFO provision, according to the annual report to stockholders.

Rose's generated 41 percent more working capital over last year, providing it with a $174 million reserve. Rose's expects it will need $53,000 for anticipated new store openings, existing store remodelings and other corporate needs during fiscal 1987.



Rose's plans for expansion remain steady with 25 stores opening and eight closing during 1987. Last year the 222-unit Henderson, N.C.-based chain opened 25 stores and closed seven. (DSN photo)

Pay Less Plans to Double by '91; Dominate West Coast

WILSONVILLE, Ore. — Pay Less NW took advantage of parent K mart's financial clout to expand its presence on the West Coast during the past year, as it aimed at becoming the No. 1 super drug chain within its marketplace.

Just recently, at K mart's annual shareholder meeting, chairman Bernard Fauber said the discount giant wants its Pay Less subsidiary to double in size by 1991, bringing the drug chain to nearly 500 stores.

In 1986, Pay Less opened 39 stores and closed four stores, bringing its year-end total to 218. Plans for 1987 call for the opening of 28 stores, and currently the chain has 221 units, including the 14-store Wonder World variety chain. Looking to the future, the company said it plans to open 40 new stores to 50 new stores a year.

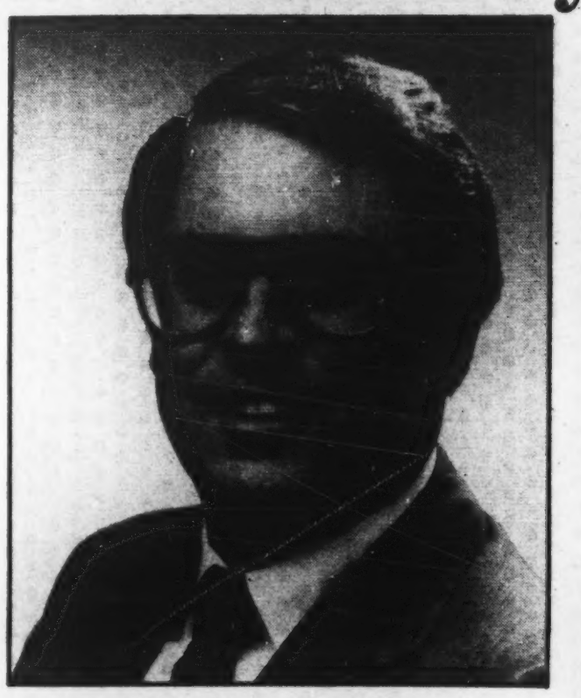
Growth for the company in recent months has been centered on Pay Less' longstanding niche in suburban and rural communities. While the chain acknowledged it is poised to meet K mart's goals, it said the expansion plans can be managed without leaving its marketing strategy. In order to avoid the high cost of advertising, Pay Less typically stays out of major metropolitan markets.

"We feel we have enough potential for growth in the areas where we operate now," said Timothy McAlear, executive vice president, Pay Less.

After a six-year absence, the Pay Less name returned to the competitive Southern California market in 1986. In Oceanside, Calif., the chain opened two sites during the past year, and it plans on opening a third this fall, as the chain takes advantage of the area's growth potential. Other stores located in the region are in Barstow, San Dimas, Palmdale and Lancaster.

While the California market will continue to be an area of emphasis for the chain, McAlear said Pay Less will also be looking to do some expansion in Washington and Oregon.

Since many of the new and existing Pay Less stores vary so greatly in size—from 25,000 square feet to 80,000 square feet—the merchandise selection varies between stores. However, Pay Less said it does try to keep a standard mix of basic products. A flexible department is apparel. This is an area the chain started last year, drawing on some of K mart's strengths.



Ron Schiff, president

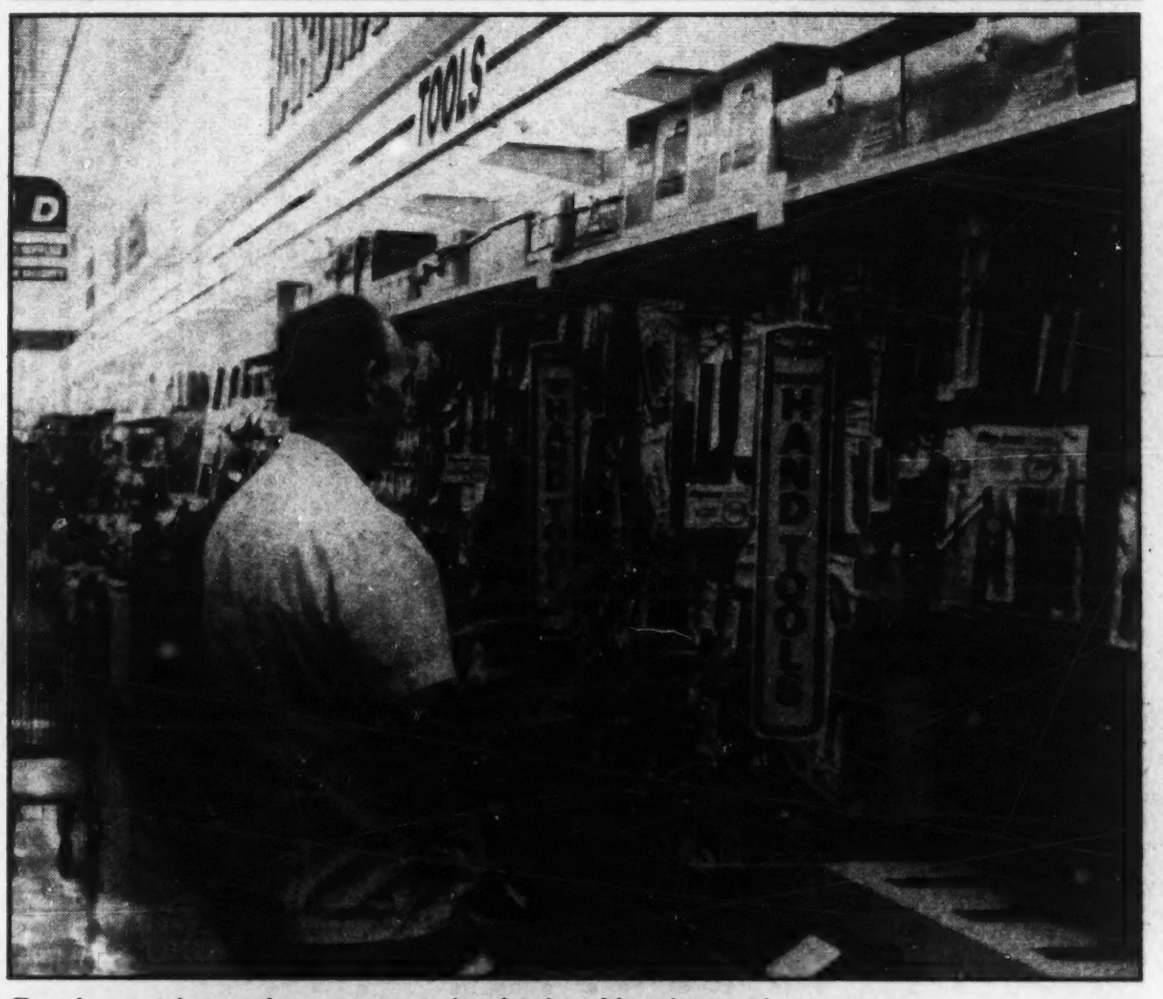
Although the retailer can consult with K mart's apparel buyers, McAlear said the Pay Less buyers work primarily on their own. According to McAlear, the apparel section is doing "very well, we are pleased with the results. Pay Less is constantly looking at different merchandise concepts . . . and the apparel is probably the biggest."

Pay Less' Wonder World division expanded primarily into the Sun Belt market during the past year, closing its original site in Bozeman, Mont. The chain opened its first pharmacy this spring, with somewhat sluggish results. However, the company remains undaunted while it prepares to open additional pharmacies.

According to Noel Flynn, Pay Less' vice president of pharmacy, Wonder World's pharmacy locations are being hand selected, based on consumer questionnaires, the size of the towns, the number of physicians and the competition.

Pay Less			
	1986	1985	% Change
Sales (In Millions)	$1,123	$1,003	12%
Operating Income	NA	NA	—
Stores	218	183	19

NA—not available Source: DSN research



Pay Less tries to keep a standard mix of basic products.

Many new and existing Pay Less stores vary greatly in size—from 25,000 square feet to 80,000 square feet.

In 1986, Pay Less opened 39 stores and closed four stores, bringing its year-end total to 218. Plans for 1987 call for the opening of 28 stores. (DSN photos)

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Venture Improves Productivity as Competition Heats Up

O'FALLON, Mo. — Besides facing stiff competition in its Midwest market from five major discounters, the major problem Venture had to deal with over the past year was losing three top executives to Caldor.

After the May Department Stores Company took over Caldor—which operates on the East Coast—when it acquired Associated Dry Goods last October, it shifted Don Clarke, Venture chairman, to Caldor chief executive officer. Executive vice president, hard lines, Marc Balmuth, was shifted to Caldor president, and Michael Lynch, senior vice president, stores, was brought into the same position at Caldor. They were shifted to Caldor to show the chain "the Venture way," said Venture spokesperson, Tony Wasserman.

May is standardizing operating procedures between Venture and Caldor, but each chain is operating independently.

"It stands to reason, it's got to hurt when you lose that much experience," said Wasserman. Other senior level managers had to assume the burden of additional responsibilities. However, Venture now has largely recovered from the loss, he said.

Replacing Clarke as chairman was Philip Otto, who previously was with Venture before being shifted to Meier & Frank, a May Department Store subsidiary in Portland, Ore.

May is standardizing operating procedures between Venture and Caldor, but each discount chain is operating independently. They share no services such as purchasing.

The official May position is that no merger of the chains is in the offing, despite potential advantages that consolidation might bring, such as increased purchasing power and expanded markets.

Venture faces major competition from chains such as Target, upon which Venture was patterned, Wal-Mart, K mart and Zayre.

Target's market ranges from the West Coast to the Midwest, while Venture is confined to seven Midwest states, with stores clustered around Chicago and St. Louis. All four new stores opened last year are centered around those two cities. A merger with Caldor would extend Venture's market to the East Coast.

In a move to meet competition in smaller cities, Venture opened last month in Oklahoma City an experimental prototype store of 65,000 square feet, down from the normal 80,000 square feet. The smaller store will employ the same number of people, about 300, and carry the same amount of merchandise in a high profile setting.

By stacking merchandise higher, Venture hopes to boost its sales per square foot figure, which increased to $158 last year, from $148 in 1985 and $131 in 1983. Despite the improvement, Venture lags behind Target, which has sales of $175 per square foot, and Wal-Mart, with sales of $165, although it beats K mart's $126 per square foot figure.

The Oklahoma opening, the first in several years, boosts Venture's store count to four stores in that comparatively small market.

Another of the four new Venture stores planned for 1987 opened in March in Joplin, Mo., a new market for Venture. Sites of the other two stores have not been announced but are expected to open in time to catch the Christmas season.

Operating 65 stores at the beginning of the year, Venture expects to be running 90 stores by 1990.

Sales for the fiscal year ended Jan. 31, 1987 came to $1.1 billion, a 10.0 percent increase from $1 billion the previous year. Same store sales rose 8.8 percent.

Operating income jumped to $80 million, a $22 million or 38.3 percent gain, from $58 million in 1985.

On the technological front, Venture is installing checkout scanning in four or five stores this month and expects to be scanning customers' purchases in all of its stores by the end of the year.

Venture also expects to improve checkout speed by installing Telecheck check approval systems. Check scanning is just starting to come on line now.

Besides speeding customers through checkout counters, the check approval system is expected to reduce bad check losses for the chain.

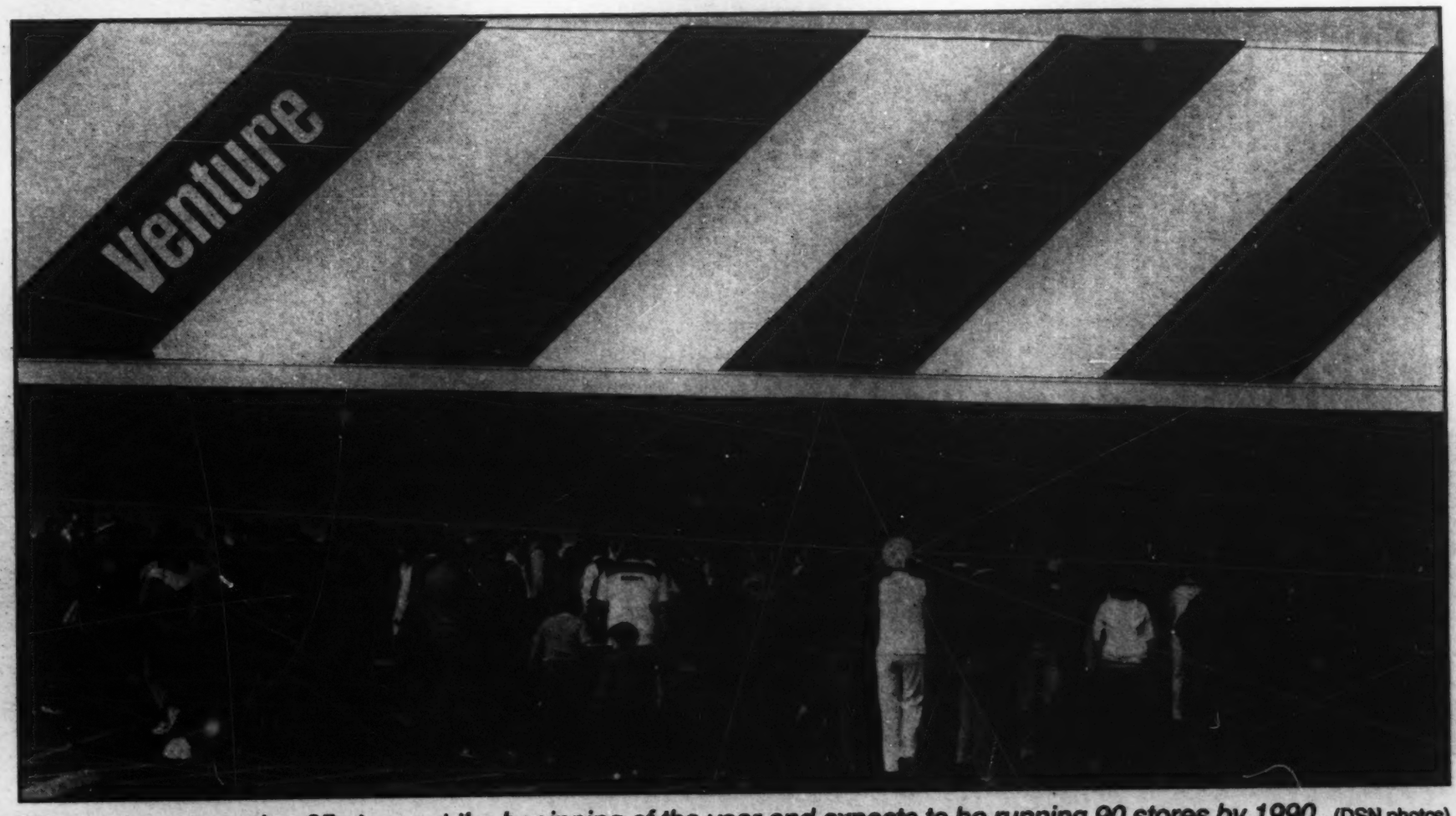
Venture

	1986	1985	% Change
Sales (In Millions)	$1,100	$1,004	10%
Operating Income (In Millions)	80.0	58.0	38
Stores	65	62	5

Source: DSN research

Julian Seeherman, president and ceo

Philip Otto, chairman



Venture was operating 65 stores at the beginning of the year and expects to be running 90 stores by 1990. (DSN photos)

Strong Sales Prompt Zayre to Spin-Off T.J. Maxx Division

NATICK, Mass. — T.J. Maxx, Zayre Corp.'s off-price apparel division, celebrated its 10th anniversary by joining the $1 billion club in 1986, posting sales estimated at $1.08 billion for the fiscal year ended Jan. 31, 1987.

T.J. Maxx's continued success through the first half of this year has prompted Zayre to spin-off the division, along with Hit or Miss and its Chadwick's of Boston off-price apparel catalog, in an effort to raise capital for expansion.

The new company, to be called TJX Cos., is expected to have an initial offering price of $24 per share on the New York Stock Exchange. Zayre expects to generate about $192 million in capital from the sale of 8.5 million shares. Zayre will retain 84 percent ownership.

Maurice Segall, chairman of Zayre Corp., will be chairman of the new TJX Cos. Bernard Cammarata, currently chairman of T.J. Maxx and group executive of the specialty store division at Zayre, will be president and chief executive officer of the new company. Richard Lesser, president of T.J. Maxx, will be a senior vice president.

T.J. Maxx, founded by Zayre in 1977, has posted improved sales and earnings figures in each of its last five fiscal years and is currently the second largest off-price apparel chain in the country.

Sales were up 38 percent last year over 1985. The chain also opened 35 new units last year, bringing to 226 the number of stores in operation by fiscal year-end. The chain has already opened five new units over the last five months and plans to open about 30 stores over the next six months, including its first expansion into the California market.

California Expansion

As to the difficulty suggested by industry analysts and others of expanding into the competitive California market, Cammarata said, "When we decided to expand into the Midwest, everyone said it was going to be very difficult. We've enjoyed great success there. I've learned over the years not to listen to other people."

Cammarata said that for now the California units will be serviced by the chain's distribution center in Evansville, Ind., but that "eventually we will develop distribution on the West Coast."

Cammarata said the T.J. Maxx concept is nothing special, but, he added, "It's the execution of the concept that's key. The way you buy, process through the warehouse and manage the store—that's the difference. It's an art, not a science."

The chain, along with Hit or Miss and Chadwick's, has stimulated huge increases in net income for its parent. (Hit or Miss, with an estimated $345 million in sales in fiscal 1987, has started to turn itself around after a significant decrease in profitability in fiscal 1984 and 1985.)

TJX's net income represented 59 percent of Zayre Corp. profits last year. The previous year, those companies delivered 47 percent of total income.

For the first quarter ended May 2, Zayre's earnings were $21 million on sales of $1.3 billion. The three divisions that will comprise TJX Cos. had net earnings of $13.3 million on sales of $364.9 million, representing 63 percent of total corporation earnings while contributing a mere 28 percent of all Zayre sales.

T.J. Maxx is expanding the number of women's shoe departments and is also testing fine jewelry departments.

Like its competitor Marshalls, T.J. Maxx specializes in moderate to better branded apparel at low prices.

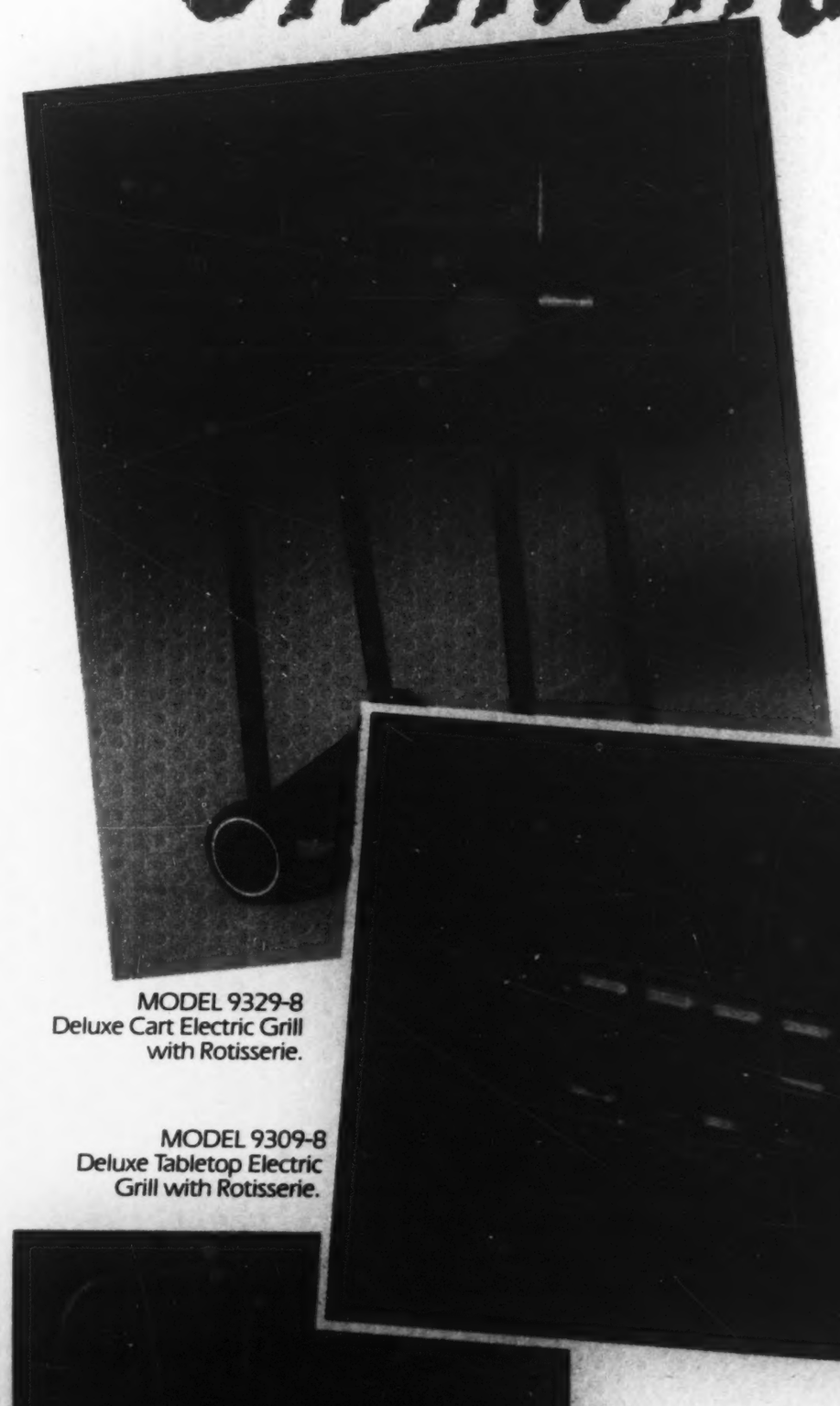
Cammarata said he considers "anybody who's selling off-price apparel" as a competitor," but said T.J. Maxx "has always been after the department store shopper and we've never gotten away from that."

T. J. Maxx

	1986	1985	% Change
Sales (In Millions)	$1,080	$782	38%
Net Earnings* (In Millions)	52.2	44.2	18
Stores	226	191	18

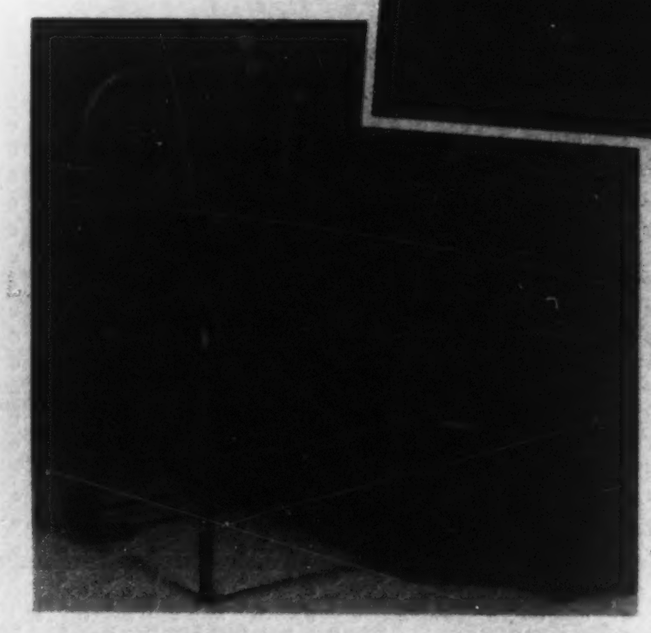
*Includes Hit or Miss and Chadwick's of Boston. Source: DSN research

The Hottest New Numbers On The Market!



MODEL 9329-8
Deluxe Cart Electric Grill with Rotisserie.

MODEL 9309-8
Deluxe Tabletop Electric Grill with Rotisserie.



MODEL 400-2
Swinger II Hooded Grill

MODEL 5022-3
Double Grid Charcoal Water Smoker

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Fred Meyer Goes Public in 1986; Expands in Competitive Pacific NW

PORTLAND, Ore. — In 1986 Fred Meyer once again became a public company after five years as a privately held firm. The Northwest retailer collected some $63 million in proceeds from the sale of its stock, helping to push the company forward into a state of aggressive expansion as it looks to be a formidable competitor in the Pacific Northwest.

The chain had been private since 1981, when a Fred Meyer management group along with Kolhberg Kravis Roberts & Co. took the company private through a leveraged buyout. Fred Meyer had tried going public in 1983 without success, since it offered only the retail business without its real estate interest, which was being held as a separate entity at the time.

Last year's offering, however, included both the retail and real estate interests. The $63 million received from the sale of stock helped pay off the debt associated with the 1981 leveraged buyout, while also decreasing the debt from the 1984 acquisition of the 30-unit Grand Central discount department store chain based in Salt Lake City.

The chain also picked up additional savings through the renegotiation of its leases, bringing them to fixed levels and, in some instances, enabling the company to exercise the option of buying the land at a future date. The company estimates it will save $2 million to $5 million a year in rent increases.

Grand Central Stores

Fred Meyer now owns just 21 of the Grand Central stores, and during the last two years the Portland chain has worked at merging the two operations into one. The Grand Central stores, located in both Utah and Idaho, now bear the name Fred Meyer, and 15 of the stores have been remodeled and brought in line with Fred Meyer's product mix.

The company operates 11 departments, which are all run individually within each store and without the supervision of a store manager. The departments offer what the company terms a "one-stop shopping" selection.

The transition of the Grand Central stores into the Fred Meyer formula has helped turn the stores to profitability. In 1985, its operations accounted for a $5 million loss, but in 1986 that figure was turned into a reported income gain of $1.7 million.

In fiscal 1986, the entire company showed a net income of $22.5 million on sales of $1.69 billion, compared to a net income of $19.4 million on sales of $1.58 billion in fiscal 1985. In the first quarter of 1987, Fred Meyer's sales rose 9 percent to $527 million, as net income rose from $2.76 million to $4.97 million.

With the acquisition of the Grand Central stores and the opening of one store in 1986, Fred Meyer now has 93 stores in Oregon, Washington, Utah, Idaho, Alaska and Montana.

Although the chain is now a dominant force in many areas, Fred Meyer still has room to grow in new and existing markets. This year, the chain will open two new stores, in Klamath Falls, Ore., and Marysville, Wash. A replacement store for the Gateway site in Portland will open in 1987.

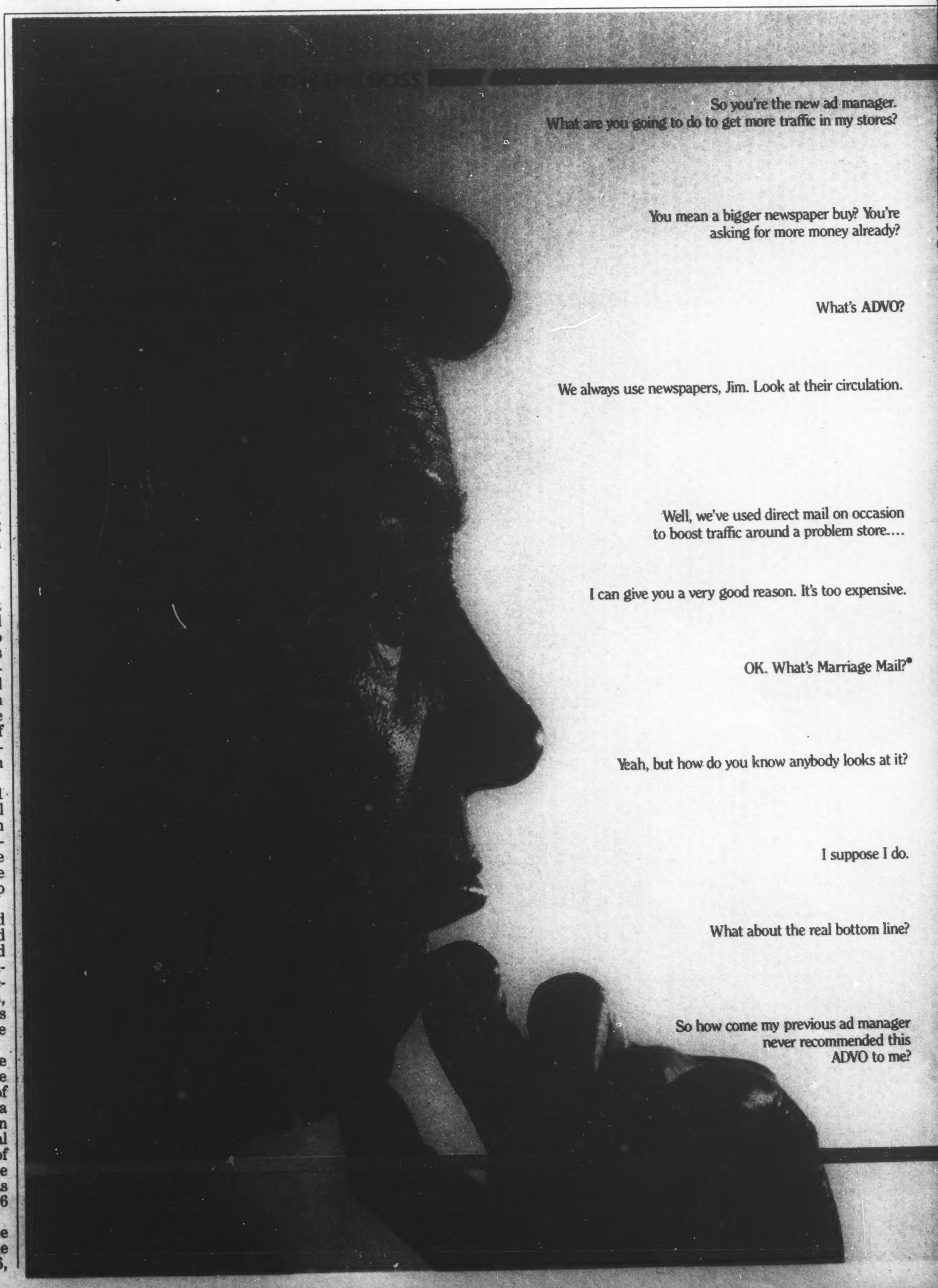
Fred Meyer's reduced debt will help the company move forward by opening about four new stores a year, while remodeling four sites to five sites a year. Looking ahead, the company said it is poised to "compete aggressively" when Target invades the Pacific Northwest with its first wave of stores set to open in mid-1988. Area retail analysts have said Fred Meyer is looking not only to reaffirm its hold in some areas, but also to gain a wider market share in new towns before Target comes into the region.

Fred Meyer

	1986	1985	% Change
Sales (In Millions)	$1,074	$1,004	7%
Net Earnings (In Millions)	22.5	19.4	15
Stores	93	93	0

Source: DSN research

Fred Meyer has already upgraded its advertising to entirely full-color print circulars, instead of the previous black and white color mix.


So you're the new ad manager.
What are you going to do to get more traffic in my stores?
You mean a bigger newspaper buy? You're asking for more money already?
What's ADVO?
We always use newspapers, Jim. Look at their circulation.
Well, we've used direct mail on occasion to boost traffic around a problem store....
I can give you a very good reason. It's too expensive.
OK. What's Marriage Mail?®
Yeah, but how do you know anybody looks at it?
I suppose I do.
What about the real bottom line?
So how come my previous ad manager never recommended this ADVO to me?

ANNUAL REPORT CIRCUIT CITY

Circuit City Hits $1B Sales Mark; Sets Sights on $2B by '90

Circuit City			
	1986	1985	% Change
Sales (In Millions)	$1,011	$705	43%
Net Earnings (In Millions)	35.3	22.0	60
Stores	87	70	24

Source: DSN research

RICHMOND, Va. — Becoming the first consumer electronics chain to hit the $1 billion sales mark was certainly a milestone for Circuit City last year. And, the CE specialty chain is not resting on its laurels. The 88-store chain now has set its sights on exceeding $2 billion in sales by fiscal 1990.

The chain, which eliminated its less profitable operations (the Lafayette stores in New York and the licensed departments in the Los Angeles Zodys discount stores in February 1986), has been reaping benefits from the two profitable markets of Los Angeles and Atlanta and is concentrating on successful operations.

Circuit City sales increased 43 percent to $1.01 billion for its fiscal year ended Feb. 28, climbing from $705 million the previous fiscal year. Net earnings increased 60 percent to $35.3 million from $22 million the previous year. And sales per square foot increased to $1,489, up from $1,384 for the previous fiscal year.

During 1986, the company completed a three-year program of organizational restructuring. While the company decentralized certain merchandising, advertising and store operations functions to bring them closer to the markets each serves, Circuit City strengthened its headquarters management team, which had changed hands during the year from the founding family to a new, professional management. Alan Wurtzel, who is the current chairman of the company, stepped down as chief executive officer in June 1986 and is not active in the day-to-day operation of the company. The founder, Sam Wurtzel, has been inactive in the company's operations since the late '60s.

Superstores Opened

By year-end, the company opened 22 superstores and four smaller units. Comparable store sales gains were 18 percent. Due to the closing of the smaller, less profitable operations, its gross margins rose slightly in 1986 despite intense competitive pressures in continuing operations.

The company believes it can obtain its next billion dollars in sales through overall industry growth, the strengthening of local market shares and entry into new geographic markets.

Industry growth, however, has been flat and is expected to remain flat. Research conducted by the Electronics Industries Association, the consumer electronics industry trade group, projects CE volume, which will pass $30 billion at the factory level this year, to grow to only around $31 billion by the end of 1988.

In 1987, the chain plans to place stores in the new markets of Baltimore and Memphis, and six to 10 superstores in the San Francisco Bay market between October and November. It also plans major expansion in Florida and in other areas contiguous to its current operating regions.

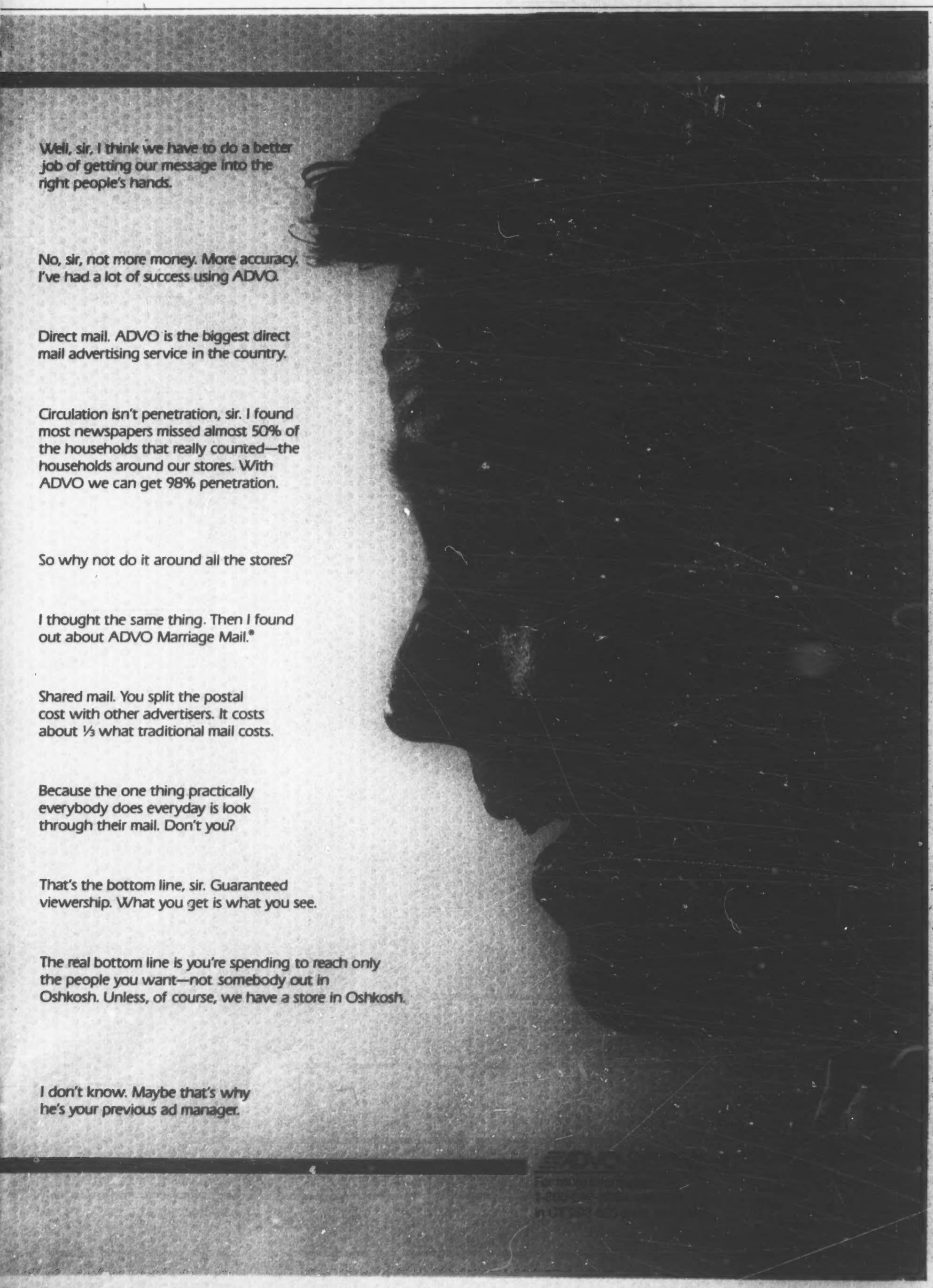
The chain now operates 54 Circuit City superstores and 34 Circuit City stores in 12 states from Maryland to Florida and in California.

Expansion plans call for the opening of 25 new superstores in the next two years, with more importance being placed on the 25,000-square-foot to 35,000-square-foot superstores.

Larry Wilson, assistant treasurer, projects total square footage in fiscal 1988 to increase by between 40 percent and 45 percent.

For the first quarter ended May 31, Circuit City's sales increased 45 percent to $246.4 million from $169.7 million over the first quarter last year. Net earnings increased 83 percent to $7 million from $3.8 million. And comparable store sales for the first quarter increased 18 percent.

The company's operating philosophy is embodied in its five guiding principles, known as its "Five S" policy: savings, selection, service, speed and satisfaction.


Well, sir, I think we have to do a better job of getting our message into the right people's hands.
No, sir, not more money. More accuracy. I've had a lot of success using ADVO.
Direct mail. ADVO is the biggest direct mail advertising service in the country.
Circulation isn't penetration, sir. I found most newspapers missed almost 50% of the households that really counted—the households around our stores. With ADVO we can get 98% penetration.
So why not do it around all the stores?
I thought the same thing. Then I found out about ADVO Marriage Mail.®
Shared mail. You split the postal cost with other advertisers. It costs about ⅓ what traditional mail costs.
Because the one thing practically everybody does everyday is look through their mail. Don't you?
That's the bottom line, sir. Guaranteed viewership. What you get is what you see.
The real bottom line is you're spending to reach only the people you want—not somebody out in Oshkosh. Unless, of course, we have a store in Oshkosh.
I don't know. Maybe that's why he's your previous ad manager.

Gold Circle Tops Sales Goals but Falls from Billion Dollar Club

WORTHINGTON, Ohio — Gold Circle Stores exceeded its sales and earnings goals for 1986, according to parent Federated Department Stores and chain executives, even though the chain fell out of *DSN's* billion dollar club. Operating income, total assets and comparable store sales also declined during 1986.

However, aside from a rash of one-time costs that hurt the bottom line, operating profits for the year were above plan for the discount chain, which operates as a division of Federated Department Stores, chairman Peter Hayes said.

Gold Circle

	1986	1985	% Change
Sales (In Millions)	$969	$1,058	(8%)
Operating Income (In Millions)	31.8	39.0	(18)
Stores	76	76	0

Source: DSN research

Gold Circle president Robert Glass said, "On a day in, day out basis, operating profit was better in 1986 than in 1985," estimating it was about 10 percent higher than the previous year.

Residual costs associated with the 1985 merger with Richway Stores, the chainwide remodeling program and higher than anticipated LIFO costs each brought down the bottom line, Glass said.

The remodeling program has been worked into 22 locations to date, eight of which were former Richway stores in North and South Carolina.

Depending upon the location, Hayes said remodeling expenses can range from $500,000 to $700,000, not including the estimated 8 percent to 13 percent loss of business during the 90-day remodeling period.

The LIFO charges affected all of the corporation's divisions, according to a Federated spokesperson, totaling $4.4 million companywide.

Sales declined due to three factors, Hayes said, including the problem of bringing Richway up to the Gold Circle sales level.

"There has been a learning curve for buyers. Gold Circle had been a chain that extended from Buffalo to Cincinnati and now it reaches South to Florida. We learned a lot last year, and no doubt we'll learn a lot this year," he added. Gold Circle also had a 15-month lead on the Richway stores in terms of a renewed soft lines emphasis.

The closing of the automotive tire and battery center and the live plants department represented a $15 million sales loss.

Competition, particularly in the Atlanta market where nearly half of the 31 Richway stores are located, also pulled down sales, Hayes said.

Among the retailers that recently entered the Atlanta market were: Upton's family apparel stores, Dayton-Hudson's Brandens housewares/home textile chain, Mervyn's apparel stores, consumer electronics specialty chain Circuit City and hard lines specialist Lechmere.

Store Level Changes

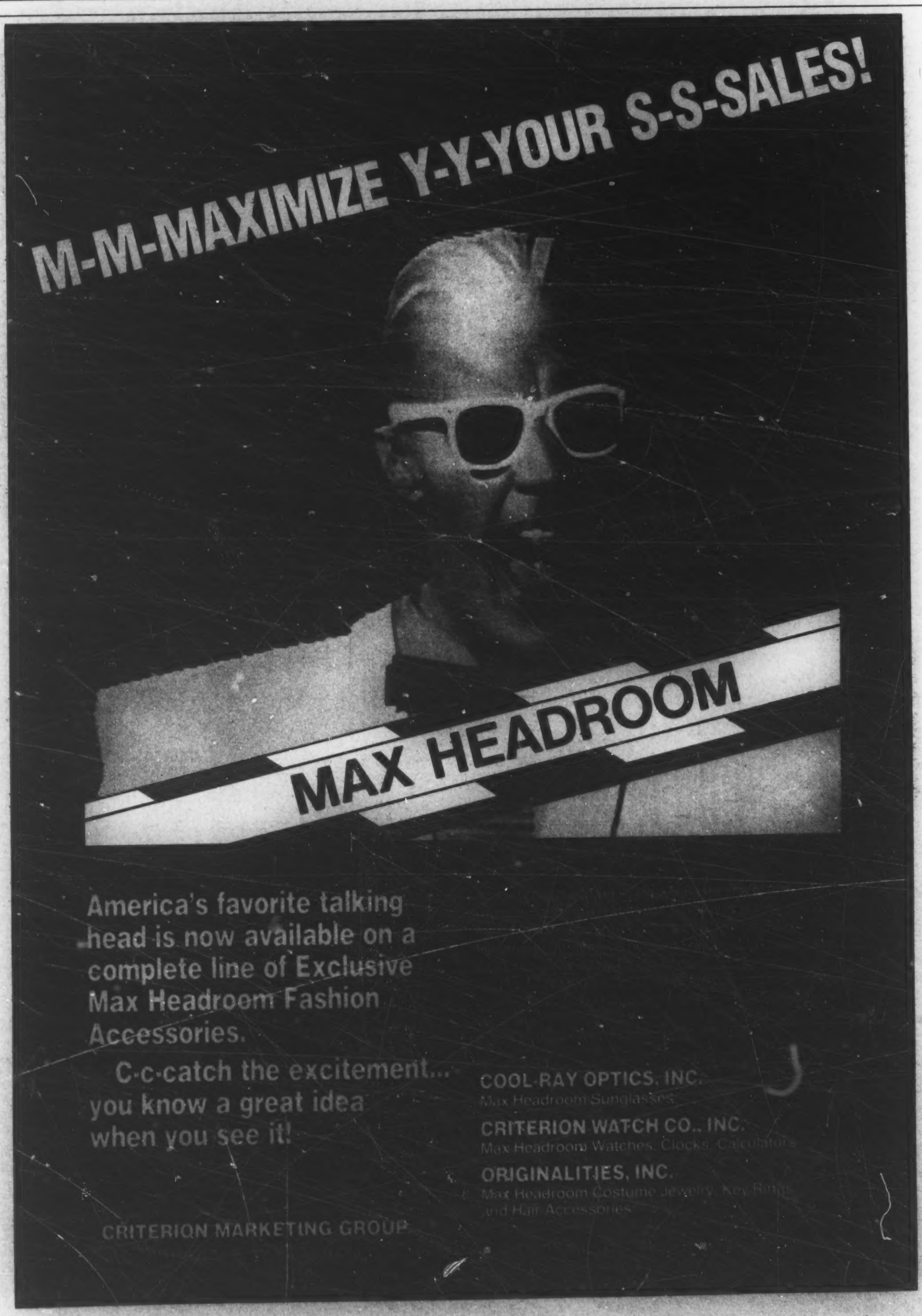
Aside from the internal changes within headquarters to absorb the Richway chain, store level conditions were reworked during 1986. While the majority of the stores have not yet been remodeled, some elements of the new prototype have been installed chainwide. "Those aspects of merchandise presentation that were initially executed in the prototype stores were also brought into others including some of the signage, merchandise and presentation," Al Thompson, vice president, marketing said.

In both soft lines and hard lines, the chain attempted to create a new department personality by integrating specific color pallets within each department. And in apparel, the addition of a women's petites department and the development of narrowed, more focused menswear lines paid off.

In hard lines, the unique merchandise stirred up some controversy among vendors and competing retailers as buyers negotiated programs to test market new products and colors in Gold Circle stores. These product releases let the chain get a jump of several weeks on competition for brand merchandise.

"Dare to Compare," a special at or below cost pricing strategy for promoting commodity items, was brought into 22 Gold Circle stores in 1986. While there was some question at first about the success of this strategy—it appeared stores were being cherry-picked for these specially signed items—Thompson said the latest figures generated by product tracking systems indicate that there was a positive effect on overall margins.

Sales for the chain were $969 million for 1986 compared with $1.1 billion the previous year. Operating income dropped to $31.8 million from $39 million in 1985. Total assets slipped to $379 million in 1986 from $392 million. Comparable store sales dropped 2.8 percent during 1986. During 1985 comparable store sales had risen 0.8 percent.


M-M-MAXIMIZE Y-Y-YOUR S-S-SALES!
MAX HEADROOM
America's favorite talking head is now available on a complete line of Exclusive Max Headroom Fashion Accessories.
C-c-catch the excitement... you know a great idea when you see it!
COOL-RAY OPTICS, INC.
Max Headroom Sunglasses
CRITERION WATCH CO., INC.
Max Headroom Watches, Clocks, Calculators
ORIGINALITIES, INC.
Max Headroom Costume Jewelry, Key Rings and Hair Accessories
CRITERION MARKETING GROUP

Annual Report

Apparel

Department Delineation Spurs Ladies' Wear Sales Growth

Nationwide DSN Report

Sales volume for ladies' wear will increase approximately 3.4 percent to $21.1 billion this year, according to *DSN* research.

Full-line discounters will garner $15.8 billion in sales in 1987, a 3.2 percent rise over last year. Apparel off-pricers will register a 4.1 percent gain to a volume of $5.1 billion. And catalogers will suffer a decrease this year to $200 million, a 33 percent plunge as a result of a general de-emphasis at the catalogers on this type of business.

While average department size will not change this year, sales per store will increase by $98 to $1,948, with sales per square foot climbing $10 to $195. Turns will dip to 4.5 from 5.0, while initial markups will be down 1.5 percent to 47.4 percent. Gross margins will increase by 1.1 percent to 31.3 percent.

Spurring ladies' wear growth is a continuing delineation of misses, junior, petite and large-sized customer departments.

Special-sizes departments continue to be honed at many discounters. While expanding large-size offerings is seen as creating plus business, the petite customer is suspected of crossing over from juniors or missy.

K mart and Gold Circle are going after petite women, having added large assortments for women who are 5 feet 4 inches and shorter. Ross has added a new special-sizes section in most of its stores.

Bradlees, Target and Hills have been doing well with petites, and Prange Way, Zayre, Dollar General and Family Dollar are strong in large sizes but are passing on petites.

K mart has been aggressive in its new and larger stores, separating dresses and sportswear into one large-size department. Its newest program, a line by Jordache, was developed for K mart to appeal to a more youth-oriented customer.

In terms of unit consumption growth, activewear paced all ladies' wear categories over the last 12 months ended March 31, 1987, according to industry analysts.

Overall ladies' wear unit consumption was up 5.5 percent.

K mart, for one, is moving in on the fast growth ladies' activewear and sportswear.

The giant chain is debuting two new private labels, The Body Company and Weathered Blues. The chain will be creating a new exercise wear department around the new line as well as other branded exercise wear. The department will be rolled out at three-fourths of all K mart stores this month. Initial shipments will be 125,000 dozen units, of which 40 percent will be The Body Company labeled merchandise.

Weathered Blues is K mart's answer to the hot distressed and frosted denim looks. The Weathered Blues roll-out will begin in early August, supported by a national television and print campaign.

In *DSN's* Top Brands Report of 1986, Lee was the most highly rated brand in ladies' wear overall—57 percent of managers at upscale discount stores selected Lee as a top brand, while only 23 percent of conventional store managers agreed. Lee did well at Target stores, but was poorly rated at Wal-Mart, for example.

Gitano showed strength among upscale chains, and Wrangler did well across the board.

Intimate apparel is also being featured more aggressively at many discounters, and sizes offered are being expanded as well. Teddies are strong fashion item sellers, as are 42-inch dorm shirts in fleece or printed fabrics, panties with high thigh cuts and the new continental V-front.

At the off-pricers, several of the fastest growing chains carry just ladies' wear. For example, Clothes-Time and The Dress Barn, two of the fastest growing off-pricers, cater to juniors in particular.

While The Limited's Sizes Unlimited division, which caters to large-sized women, showed a sales decline last year, the chain plans to add 100 units during the course of this year, bringing to 337 the number of stores in operation by Jan. 1.

Ladies' Wear $21.1 Billion

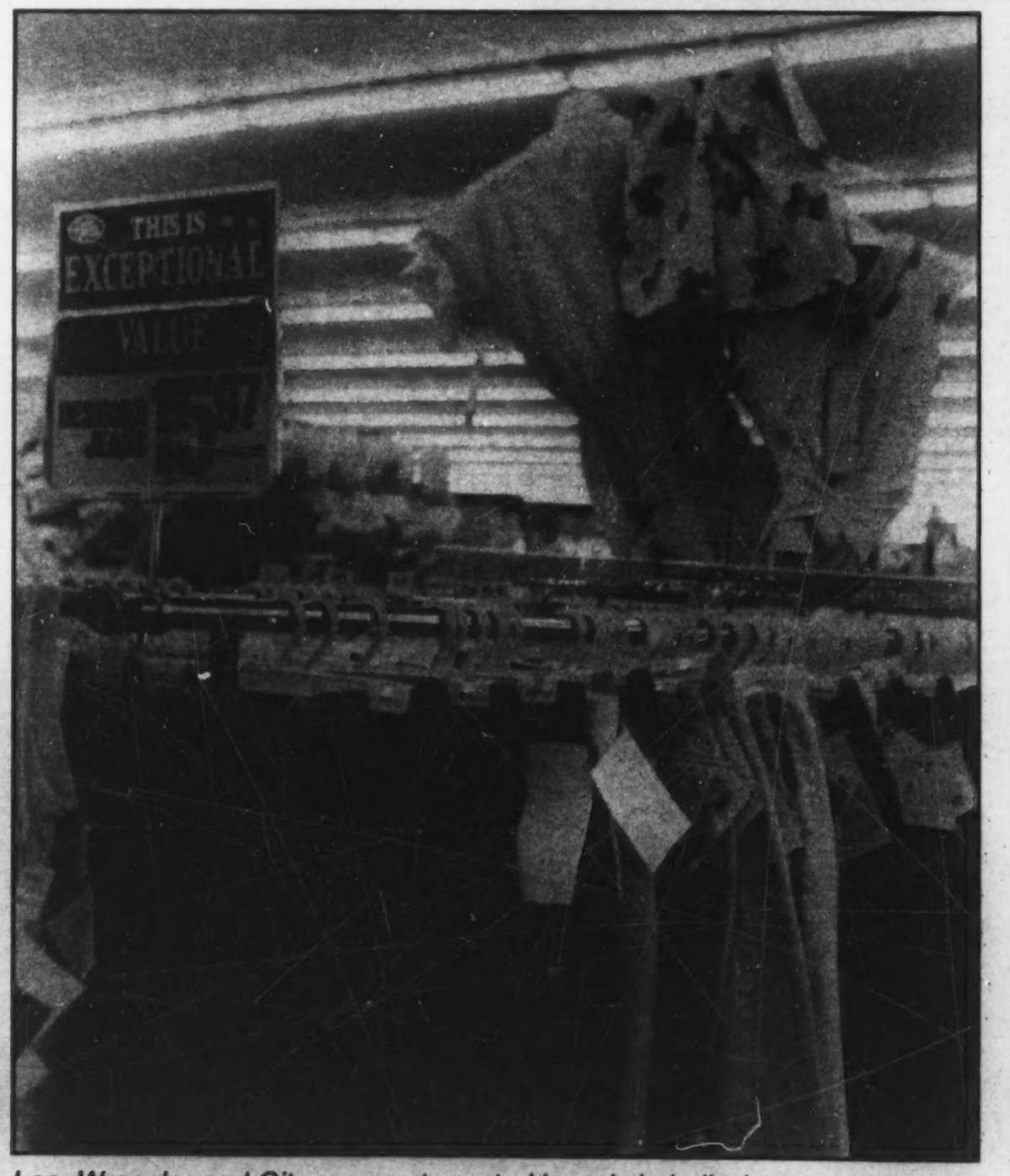
Full-Line Discounters	$15.8B
Catalogers	$0.2B
Specialty Discounters	$5.1B

Full-Line Discount Store Productivity

Sales	$15.8B
Sales Per Store	$1,948
Dept. Size	10,000 Sq. Ft.
Sales/Sq. Ft	$195.00
Turns	4.5
Initial Markup	47.4%
Gross Margin	31.3%

Source: DSN research

While discounters' average ladies' wear department size will not change this year, sales per store should increase to $1,948, up from $1,850 last year.



Lee, Wrangler and Gitano were top rated brands in ladies' apparel last year. Here, $15.97 designer jeans are offered at Hills, Miamisburg, Ohio. (DSN photos)

MARKETWATCH

Apparel Hotline

NEW YORK — If you have questions or comments about apparel articles or research published by *Discount Store News*, call our Apparel Hotline: 1-800-332-3005. In New York State, call 212-371-9400, ext. 396. We also welcome story ideas and news tips.

COLUMBIA, S.C. — Never one to pass up a bargain, the richest-man-in-America but no-slave-to-fashion Sam Walton, chairman of Wal-Mart, plunked down a cool $80 for a sport coat while here for the recent grand opening of a Sam's Wholesale Club, Wal-Mart's membership warehouse club division. The favored item was a blue silk sport coat, tagged at $79.99. "Hey, that fits pretty good," Walton said as he tried on the coat while perusing the aisles. "Boy, you can't beat a price like that." Now we know where part of Walton's $4.5 billion personal fortune is going.

SECAUCUS, N.J. — Jamesway Corp. presented its Service Vendor Award for 1987 in its soft lines division to Williamson-Dickie Manufacturing Apparel Company at a luncheon here last month. Pictured, from left, are: Tom Graves, vice president and merchandise manager, Jamesway; Jack Leff, sales manager, Williamson-Dickie; Herbert Fisher, chairman, Jamesway; Bernie Arenberg, vice president, sales, Williamson-Dickie; and Joseph Ettore, senior vice president and general merchandise manager, soft lines, Jamesway.

Discounters Gain Larger Share of Men's Wear

Nationwide DSN Report

Men's and boys' wear sales at full-line discounters and apparel off-pricers are expected to increase by 3.5 percent this year, placing this category at the $11.8 billion mark.

According to *DSN* research and industry analysts, unit consumption of men's wear increased 2.7 percent for the last 12 months ended March 31, 1987, with activewear pacing all categories. Boys' wear consumption overall was down slightly by 0.1 percent, but activewear was up 29 percent.

Sales are increasing equally—by approximately $200 million this year—at both the full-liners and off-price specialists, with revenues up about 2.2 percent at each.

Discounters' share of the overall apparel market increased to 31 percent last year, up from 28 percent in 1983. In men's wear, discounters' share hit 34 percent in 1986, increasing from 29 percent in 1983.

Unlike many men's wear categories, men often buy their own sweat shirts, warmup outfits, shorts and sneakers.

At the full-line discounters this year, gross margins in men's and boys' apparel are expected to slip by 0.2 percent to 34.2 percent, with initial markup falling 2 percent to 44.5 percent.

Sales per store will hit $1,122, a 4.3 percent increase from last year's $1,076 figure. Department size will increase by an average of 90 square feet, with sales per square foot up 3.1 percent to $143.85.

A recent *DSN* poll showed that unlike many men's wear categories, men often buy their own sweatshirts, warmup outfits, shorts and sneakers.

Possibly because of that, many discounters sell functional activewear in the sporting goods department and then keep a second men's activewear department in the soft lines side of the store.

At Zayre stores last year, the chain revamped its men's and boys' activewear program, using bargain tables. The tables feature $7 men's jeans and $4.97 flannel shirts.

Each of the tables (about three per department) are programmed weekly.

Zayre's inner-city fashion focus skewed toward ethnic customers has also been successful.

Zayre has also introduced a new men's dress shirt private label program that the chain featured on a new full-wall presentation of bins at its 360-plus stores.

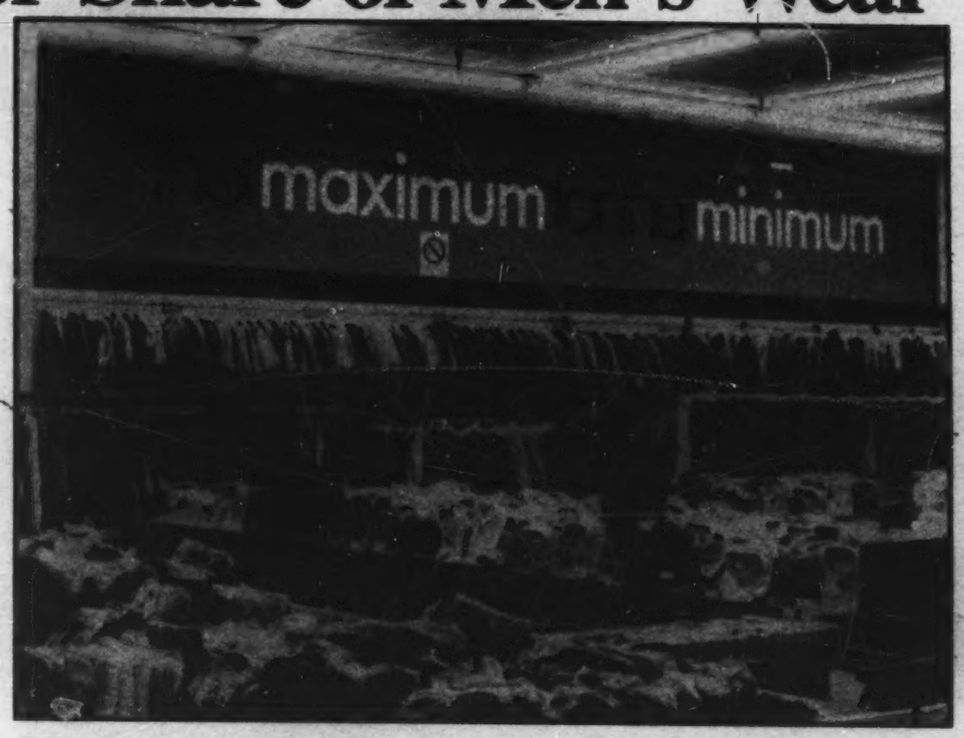
Fleecewear, which has been a strong seller for the past two years at department and specialty stores, was given its due at many discounters, including Zayre. The chain designed a program of basic separates at $8.99, with brands at $9.99 to $14.99. Zayre also introduced fully constructed pants made out of fleece.

Bright coloring continues to be a major selling point. Knit tops, sweats and basic denim jeans continue to drive basic business in men's and boys' wear.

In September, discounters will take a look at the hottest spring 1988 looks in men's, young men's and boys' wear at the MAGIC (Men's Apparel Guild in California) show, but will, if past shows are any indications, only item-buy for the icing on their already purchased spring assortments.

The "Miami Vice" look,

(Continued on page 126)



Discounters' men's wear sales per store will hit $1,122 this year, a 4.3 percent increase from sales of $1,076 last year. (DSN photo)

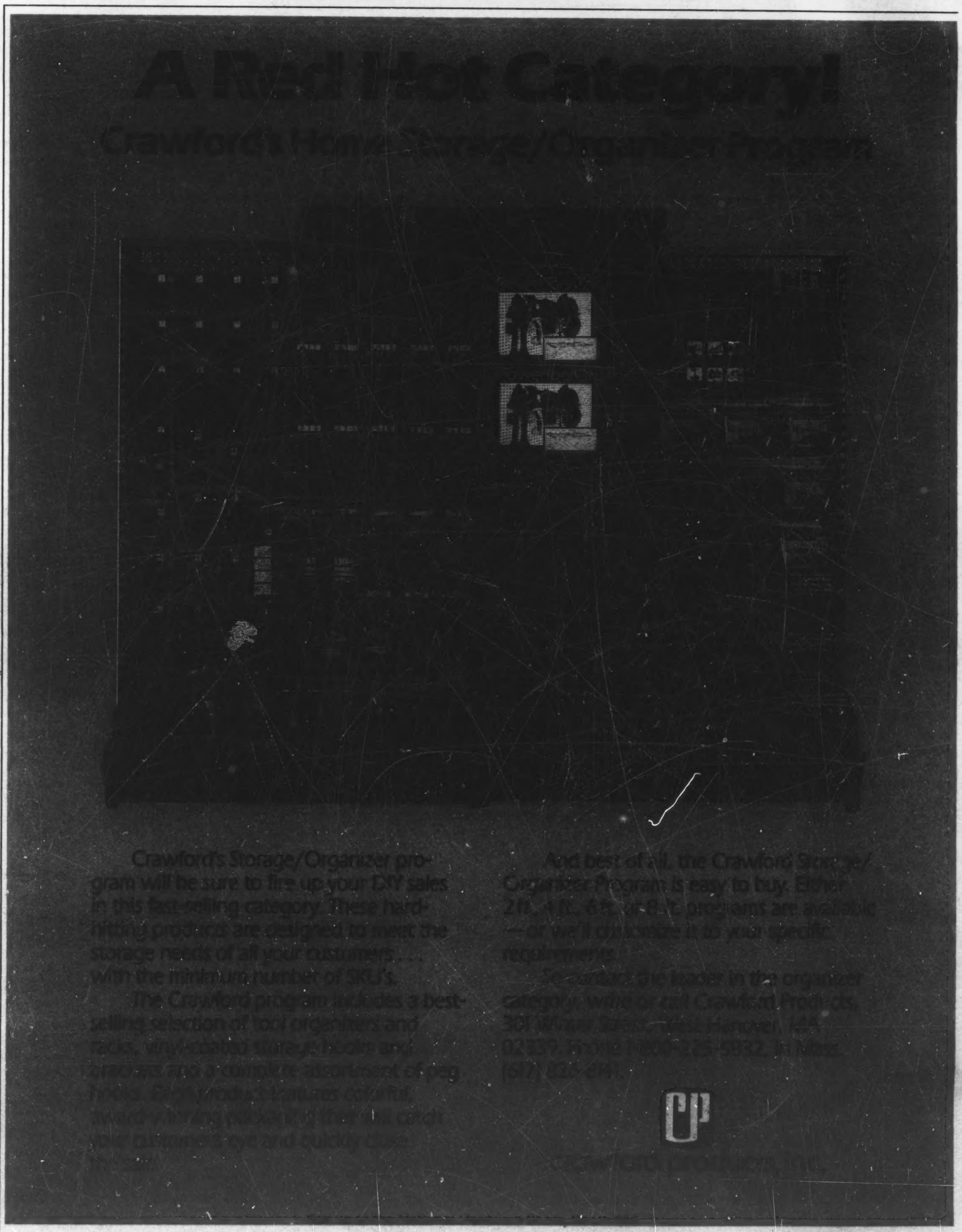
Men's/Boys' Wear $11.8 Billion

Full-Line Discounters	$9.8
Catalogers	NA
Specialty Discounters	$2.78

Full-Line Discount Store Productivity

Sales	$9.18
Sales Per Store	$1,122
Dept. Size	2,500 Sq. Ft.
Sales Per Sq. Ft.	$143.85
Turns	3.7
Initial Markup	44.5%
Gross Margin	34.2%

NA—not available
Source: DSN research



Discounters Capture Larger Share of Men's Wear Market

Discounters' share of the men's wear market hit 34 percent in 1986, up from 29 percent in 1983. (DSN photo)

(Continued from page 125)

while on the wane, is still influencing some stores' underwear departments with colored briefs and undershirts.

Suspenders, trickling down from the department and specialty store level where they have been a hot item seller, are now also the accessory of choice at many upscale discounters.

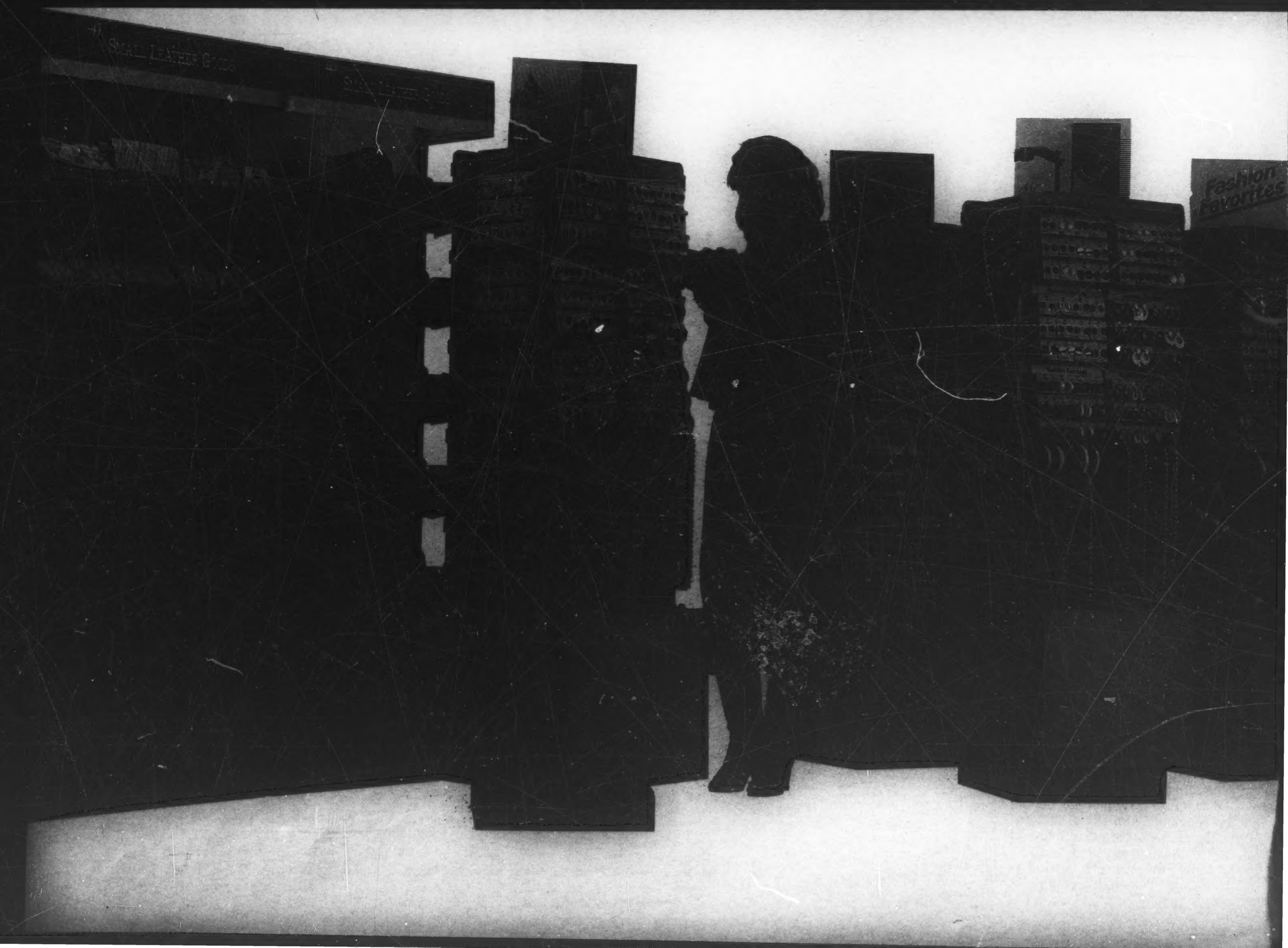
As far as jeans brands go in men's wear, Wrangler and Lee remained the most important. Wrangler strengthened its lead among conventional discounters, and in the minds of many upscale store managers, Lee replaced Levi's as the jean of choice.

Wrangler headed the list of the top 10 brands in last year's *DSN* Top Brands Report. Lee stayed in second place. Levi's dipped to fifth place.

That Levi's is a significant brand at all for discounters is a testament to its national appeal. The company has steadfastly refused to sell directly to the discounters, forcing chains that want the label to scramble for other sources of supply.

The drop in Levi's rating among discount stores may signify that more upscale discounters are unwilling to hang around Levi's back door when Lee welcomes the business.

Heck's increased its position in soft lines, which the chain expects to represent 30 percent of its total volume by the end of 1988.



Discounters' Jewelry Selections Take On Fashionable Look

Nationwide DSN Report

Jewelry sales nudged higher last year as discounters and specialty stores began enhancing their selections of upper-priced fashion and fine jewelry.

While much of the rising sales can be attributed to greater depth and breadth of merchandise in both these jewelry lines, several retailers told *DSN* that sales gains can also be attributed to customers who now have greater confidence in the quality of the jewelry offered at discounters.

"The only factor that held the sale of fine jewelry back in the past is the fact that customers looked at the merchandise as being cheap or inferior," said Joseph Ettore, vice president of soft lines for Secaucus, N.J.-based Jamesway.

"The discount stores do not carry junk; we carry the same quality as catalog showrooms and fine jewelry stores. As the customer becomes more comfortable with that fact, it is an automatic way to increase business," Ettore added.

Retail jewelry sales by discounters and catalogers will inch up 2 percent this year to $4.7 billion, according to *DSN* research. The largest gain will be recorded by full-line discounters, which posted a sales increase of 13 percent, to $1.7 billion in 1986.

Jewelry sales at catalog showrooms are expected to fall 4 percent from their 1986 levels, to $2.4 billion.

Specialty discounters will record jewelry sales of $600 million in 1987, even with their 1986 pace, according to *DSN* research.

The total sales increase at full-line discount stores will result from substantial gains in sales per square foot, department size and per store revenues.

DSN research revealed that jewelry sales per store will rise $28,000, to $209,500, an increase of 15 percent.

Sales per square foot are projected to climb $18, or 6 percent, to $322.30, and the size of jewelry departments will rise by 55 square feet, or 9 percent, to 650 square feet.

Last year, merchandise turns remained even at 2.1. Initial markup was also steady at 49.2 percent, and gross margins fell slightly to 40.5 percent from 40.6 percent in 1985.

A number of retailers, including those outside traditional jewelry circles, added jewelry to their mix during 1986.

For example, last fall Crazy Eddie, the consumer electronics retailer headquartered in Edison, N.J., announced that the test it made of 14-karat gold jewelry at its Hartsdale, N.Y., store last July was expanded to its store in Cherry Hill, N.J., and would appear in other stores.

Jewelry
$4.7 Billion

Full-Line Discounters	$1.7B
Catalogers	$2.4B
Specialty Discounters	$0.6B

Full-Line Discount Store Productivity

Sales	$1.7B
Sales Per Store	$209,500
Dept. Size	650 Sq. Ft.
Sales Per Sq. Ft.	$322.30
Turns	2.1
Initial Markup	49.2%
Gross Margin	40.5%

Source: DSN research

T.J. Maxx, Natick, Mass., added 14-karat gold and sterling silver jewelry to three stores last spring.

And Faberge U.S.A., best known for its fragrance collection, will enter the costume jewelry arena this fall with a line called The Faberge Collectibles. The line will include 100 sku's of earrings, rings, necklaces, bracelets, brooches, pendants and chokers priced from $5 to $20.

Per item sales in fashion jewelry are trending upward at discount stores, from $2 to $7 or $8, and in many cases even higher. Caldor reported prices for its fashion jewelry are reaching as high as $25. This is reflective in some cases of the use of better quality materials like gold-filled posts and of more products made with silver, wood, leather and feathers—more natural materials.

Department store presentations for both fashion and fine jewelry have also been making their way into the jewelry departments of mass retailers faster than before, sometimes lagging just a season or less later, many observed.

Last Christmas, when Jamesway added a diamond program, it also installed full-time sales people in the department who are charged with assisting customer purchases of other fine jewelry items such as watches, plus leather products, razors and ear-piercing services. Recently, it added a children's jewelry program called Baby Love, said Ettore.

The company's jewelry catalog, also unveiled last fall, includes merchandise selling for up to $2,000.

Last year, Best Products, the 194-unit cataloger based in Richmond, Va., said it would add 10 new stores to its 11-unit Best Jewelry chain and raise the store count to 60 in the next three years.

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At AAi, we offer a tremendous variety of displays to meet all your accessory needs. You can choose from our wide selection of fashion jewelry in four different product assortments. Or any one of our rotating tower floor fixtures, including: the Sergio Valente Collection, Teen Boutique, Hair Goods, Key Rings and Hot Stuff fashion accessories. And we also offer a stationary floor unit that brilliantly displays AAi's new assortment of small leather goods.

So if you want to create "a store within a store" or you're simply looking to maximize the space you have, stop by our New York Showroom and find out how to make the most turns for your accessory dollar.

AAi. We know how to make small personal accessories increase your profits in a big way.

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(212) 532-2939
Jack H. Flynn, Jr., Corporate Headquarters,
4 Warren Avenue, N. Providence, RI 02911
(800) 527-0258

AAi
ACCESSORIES ASSOCIATES, INC.

Annual Report

Home Products

RTA Furniture, Storage Products Take On Fashion Edge

Electric housewares, like these food processors shown in Service Merchandise, Dallas, are expected to remain steady with sales of $2.2 billion. (DSN photo)

Nationwide DSN Report

Categories within the housewares department underwent significant repositioning during 1986 as did the industry trade show calendar. Merchandise that up until last year had not permitted retailers to earn high margins due to their commodity nature were given new colors, moved to more visible locations within the department and evolved into home decor goods.

Ready-to-assemble furniture, closet/storage and clocks received more prominence and more promotional advertising dollars were devoted to these areas than in the past as these categories transcended their basic utility value into the profitable world of fashion merchandise.

The non-electrics portion of the projected $12.7 billion mass merchandiser housewares industry is expected to be the only growing area in the department.

In personal care electrics, competition among appliance vendors was intensified by the Underwriters Laboratories' decision to upgrade the safety features required by hand-held hair driers. Sales are expected to remain at the $3 billion mark. Initial markup and gross margin on these appliances are expected to suffer from increased competition, dropping to 30.2 percent and 21.1 percent, respectively, from last year when they were 30.6 percent and 21.4 percent.

Other electric housewares appliances are expected to hold to a $2.2 billion sales level.

RTA Grows as a Category

The basic RTA furniture selection went from few relatively low ticket television, microwave oven and home entertainment units in 1985 to an area within housewares that in some cases was developed as a department in its own right last year. Four, six or eight gondola runs became commonplace as bedroom ensembles and selected dining room pieces were added to the home entertainment furniture core.

Discounters discovered the need for furniture priced under $200 and filled the void successfully during the year. Just how long it will take until the market is saturated and margins will be forced down as competition rises is anybody's guess. Steady improvements in the production, packaging, hardware and instructions on RTA merchandise have not yet been translated into higher costs.

Corrugated storage boxes and garment bags dressed in pastels, whites, grids and florals helped take the closet department "out of the closet," as one retailer put it.

These items combined with bright and pastel hangers, plastic sweater boxes and shoe racks warranted a more obvious location within housewares instead of hidden with mops, brooms, ironing boards and other merchandise that is difficult to keep well maintained.

Many discounters learned that customers were not willing to pay more than an additional dollar or two for the new designs, but were more likely to shop the category due to the lure of colors.

Clocks that stressed function over fashion dropped in popularity and many discounters took the boxed models off shelves wherever possi-

(Continued on page 132)

Housewares* $12.7 Billion

Non-Electrics $7.5 Billion	
Full-Line Discounters	$6.9B
Catalogers	$0.6B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$6.9B
Sales Per Store	$850,500
Dept. Size	5,800 Sq. Ft.
Sales Per Sq. Ft.	$146.63
Turns	3.3
Initial Markup	42.2%
Gross Margin	32.1%

Personal Care $3.0 Billion	
Full-Line Discounters	$2.8B
Catalogers	$0.2B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$2.8B
Sales Per Store	$345,100
Dept. Size	800 Sq. Ft.
Sales Per Sq. Ft.	$431.37
Turns	3.5
Initial Markup	30.2%
Gross Margin	21.1%

Electrics $2.2 Billion	
Full-Line Discounters	$1.7B
Catalogers	$0.5B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$1.7B
Sales Per Store	$209,500
Dept. Size	850 Sq. Ft.
Sales Per Sq. Ft.	$246.47
Turns	3.5
Initial Markup	31.3%
Gross Margin	21.1%

*Includes small electrics, personal care, non-electrics and RTA furniture.
NA—not available

Source: DSN research

MARKETWATCH

CHICAGO — The **National Housewares Manufacturers Association (NHMA)** has hired Janet Diedrichs & Associates as public relations counsel to help promote the January and July 1988 International Housewares Shows to be held here at McCormick Place. Next year will be the first time The Interface Group's HouseWorld Expo and the NHMA show will compete with each other for the same housewares industry audience.

* * *

CHARLESTON, S.C. — **Linens 'N Things** will enter the Charleston market this summer with a 7,500-square-foot store in the new North-Rivers Market shopping center, the largest value-retail shopping center developed by Centennial American Properties, Atlanta. When the store opens late this month or early August, the unit will be the 135th Linen 'N Things. The new store will be part of the 320,000-square-foot shopping center which will include Toys "R" Us, Marshalls, Phar-Mor Drugs and Hechinger. Centennial American Properties also handles developments in such cities as Greenville, S.C., and in Jacksonville and Gainesville, Fla.

* * *

WASHINGTON — Commenting on trends in consumer electronics products, the **Electronic Industries Association** noted that the market for intelligent copier/printers is expected to show substantial growth. The association noted that two major manufacturers estimated that approximately 300,000 copiers were in home offices in 1986, and that this number should double by 1990. Another copier maker estimated that 30,000 copiers valued at approximately $3 million were used this year for personal use. The association also noted that new technology under development includes models with low manufacturing costs and increased service reliability.

* * *

CHICAGO — The selection of microwave oven cookware is rapidly increasing, according to a recent report issued by the **Association of Home Appliance Manufacturers.** The report warns that microwave oven cookware designed also for use in conventional ovens cannot withstand extreme high temperatures and recommends that the label be checked for the recommended maximum temperature. The report from the association also breaks down the different types of cookware for microwave ovens now available on the market. For use in microwave and conventional ovens: ceramic products, glass products and permanent plastic cookware. For use in microwave ovens only: permanent plastic cookware, reusable plastic or paperboard cookware and freezer-to-oven storage/cooking containers.

RTA Furniture, Storage Products Take On Fashion Edge

Discounters are expected to capture $11.4 billion of a $12.7 billion housewares market, including small electrics, personal care, non-electrics and RTA furniture.

RTA furniture grew from few TV, microwave and home entertainment units to an area that in some cases was developed as a department in its own right. (DSN photos)

Olympus takes you to Infinity.

And beyond.

Infinity and the new Infinity Jr.

Once again Olympus has stretched the auto focus lens-shutter camera horizon. Last year's weatherproof Infinity was just the beginning.

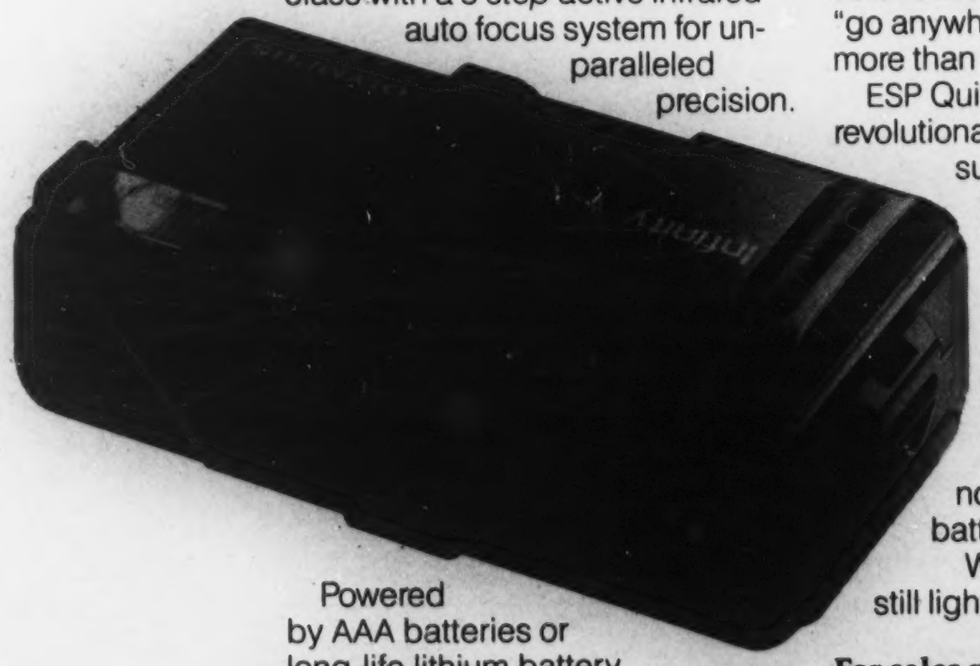
Now Infinity has a partner: the amazingly affordable Infinity Jr. And the match is perfect.

Infinity Jr.—the lightweight auto focus compact camera that performs like a heavyweight

Light, small, stylish. And, of course, fully automatic.

But what you'll find most striking, and sellable, about Infinity Jr. is not what features it offers, but what it has that the others in its price range don't.

Features such as sophisticated electronic circuitry that makes Infinity Jr. the *smallest, lightest* fully automated 35mm lens-shutter camera of its type. And the *only* camera in its class with a *5 step* active infrared auto focus system for unparalleled precision.



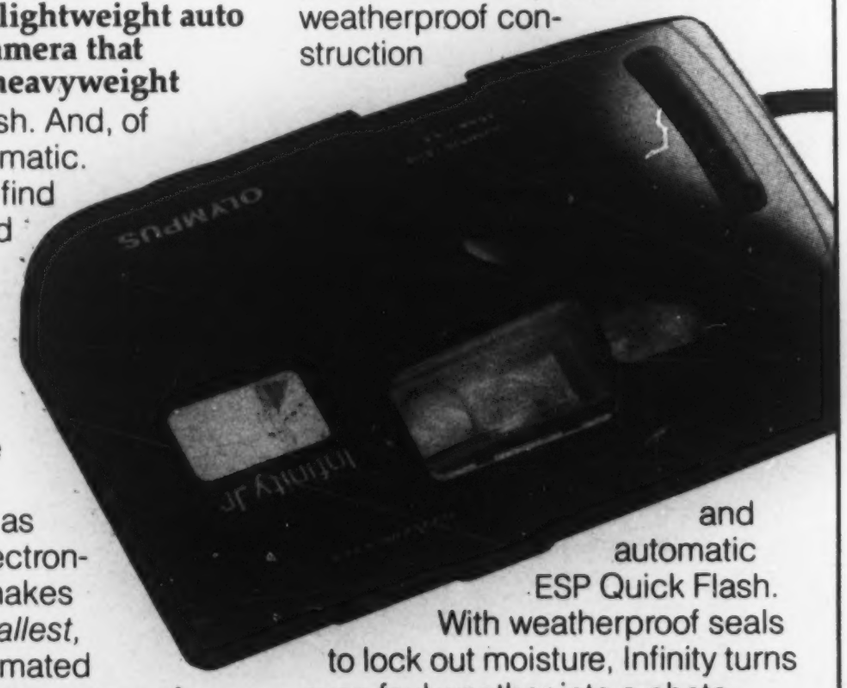
Powered by AAA batteries or long-life lithium battery pack (Duracell DL 123A), Infinity Jr. sports a flash system without peer at its price. It fires *automatically* when needed, recycling every 2 *seconds* with lithium battery pack.

Then add such unique features as a self-timer with 12-second delay, battery check LED, close focusing down to 26 inches, and center-weighted light measuring. Plus fully automated film handling —loading, DX-film speed setting, winding and rewinding—that is easily demonstrated.

And you have another Olympus compact auto focus 35mm that will add punch to your profit picture.

Infinity does it all—for you

Alongside the Infinity Jr., Infinity becomes the ideal "point-and-shoot" *step-up* camera. Every function from load to rewind is automatic. Plus the special features of weatherproof construction



and automatic ESP Quick Flash.

With weatherproof seals to lock out moisture, Infinity turns even foul weather into a photo opportunity. For all your compact auto focus customers looking for a "go anywhere" camera, Infinity is more than just a fair-weather friend.

ESP Quick Flash combines the revolutionary Olympus ESP exposure system with a long-life lithium battery pack for an automatic flash system without peer. It fires when needed, in both low light and backlit situations. And recycles *every second!* For up to *5 years* of normal use on a single battery pack.

Which means Infinity is still light years ahead of the rest.

For sales performance that knows no bounds, reach for Infinity. And Infinity Jr.

Call your Olympus Sales Representative toll-free, any time, any day: 1-800-631-7777 (in NJ, 1-800-522-4159). Or write Olympus Corporation, Consumer Products Group, Crossways Park, Woodbury, NY 11797.

OLYMPUS
Infinity & Infinity Jr

(Continued from page 130)

ble, replacing them with wall displays of bright, mirrored, juvenile, brass, pastel and other highly visible room design complements. As long as the decorative updates didn't go too much beyond the $20 price point, many middle- to upper-end discounters reported good sell-through.

In personal care, retailers won't know for sure just how much the new UL safety guidelines and higher hair drier prices will affect customer buying habits. The new UL guideline stated that hair drier manufacturers must make appliances that won't cause an electrical shock when immersed in water when the unit is plugged into a wall outlet in the off position. Due to the price-sensitive nature of the category, the degree to which the manufacturer can keep costs down when meeting this new standard has the potential to make or break sales.

Trade Show Scheduling

Last year also marked a rash of changes in the industry trade show layout and agenda.

For the first time the National Housewares Manufacturers Association attempted to color-code and categorize the products being displayed by its members. The move received mixed reviews from attendees; some felt the NHMA had made the show's eight miles of exhibition space easier to cover, while others thought it made little difference since overlap among the categories required they walk the entire complex anyway.

In 1986, the NHMA switched from two shows to one show and then back to two shows again, creating havoc in the national trade show industry. Private exhibition groups rushed to the service of those who said they required a second housewares show, only to invest advertising monies for naught when NHMA chief, Jay Spaulding, reinstated the two-show format this year.

While at one time there were at least three different groups sponsoring alternative housewares shows, now The Interface Group's HouseWorld Expo stands as the only exhibition company that has decided to go ahead with an alternate show despite Spaulding's announcement.

CE Sales Dampened by Fizzling VCR Market

Nationwide DSN Report

While the consumer electronics industry on the whole is rather healthy with plenty of product innovation at the high end, discounters' consumer electronics business has remained fairly flat the past year. Prospects for the future are better as the high-end innovation should eventually result in renewed sales vigor.

Discounters' CE business was plagued by the fizzling-out of the VCR boom, the continuing devaluation of the dollar against the yen, and intensified competition as well as a lack of product information to combat consumer confusion and create demand.

The Electronic Industries Association reported overall industry sales for 1986 reached $28.7 billion. EIA research projects the industry to pass $30 billion in volume at the factory level this year. By the end of 1988, industry growth is only estimated to be around $31 billion.

CE Sales Total $12.6B

Full-line discounters, catalogers and specialty chains are expected to generate $12.6 billion in CE sales this year, slightly up from last year's $12.5 billion, according to *DSN* research. Full-line discounters will generate the same volume of $6.3 billion as in 1986, specialty discounters will increase their CE sales to $5.5 billion from $5.3 billion, while catalogers' CE sales are expected to decline to $800 million from $900 million.

Productivity measurements show that sales per store for full-line discounters will increase from $761,600 to $776,600 and sales per square foot will rise from $331.30 to $337.65.

In contrast, a report by Kidder, Peabody & Co. found that the average sales per store for public specialty CE retailers is $7.5 million and the average in sales per square foot is $921.

Department size for full-line discounters will remain at an average of 2,300 square feet, while turns will rise from 3.1 to 3.3. However, initial markup for full-line discounters is expected to fall from 31 percent to 30 percent and gross margin will slide from 18.9 percent to 17.2 percent.

By comparison, gross margin for specialty CE retailers averaged 29.4 percent during the last fiscal year, with inventory turnover averaging 4.0 times, reported Kidder Peabody & Co.

The investment firm's analysis also showed that the largest shift in market share since 1982 occurred between the independents (defined as a chain with less than 10 stores), decreasing from 53 percent to an estimated 40 percent this year, and the electronics/appliance specialty chains, growing from 8 percent in 1982 to an estimated 20 percent this year.

Mass merchants increased their market share slightly from 20 percent in 1982 to an estimated 21 percent in 1987, with catalog showrooms staying between 4 percent to 5 percent since 1982, the report said.

The wave of the VCR revolution that many retailers were able to ride to generate profit has virtually disappeared. The growth in industry VCR sales slowed from 64 percent in 1984 to 33 percent in 1985 and 12 percent in 1986.

Discount stores as well as top CE specialty chains agree that the new technological innovations of Super VHS, CD-Video and Digital audio tape will not generate substantial sales volumes for some time.

Usually manufacturers look to sales of new innovative products in Japan for an indication as to how the products will sell in the U.S. Currently, digital audio tape recorders recently introduced in Japan and selling for around $1,400 are not taking off as many manufacturers expected.

And manufacturers are feeling the pressures of the currency fluctuation of the dollar against the yen in determining retailers' costs. Most buyers agree that rather than having the manufacturers cut their costs, they would like to see more consumer demand created to enable them to make their margin.

Retailers feel a need for more demand created for such categories as compact disc players, camcorders and home office products. EIA reported that while market penetration of compact disc players increased by over 40 percent in just six months, the consumer penetration level remains at only 7 percent.

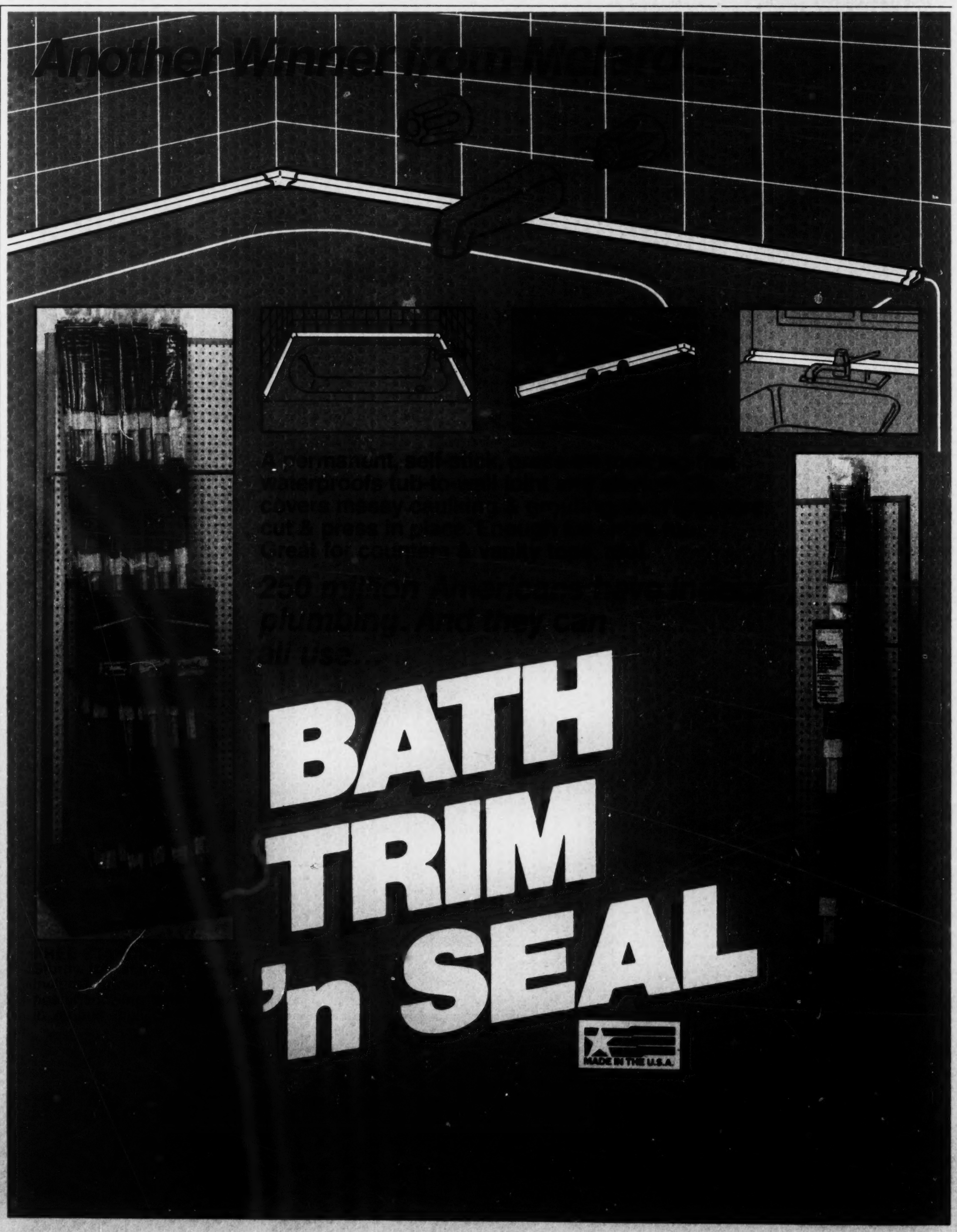
The home office product category is emerging as a viable market for discount stores and consumer electronics chains. However, due to its newness to retailers' product lines, many are not sure how to market the products and feel the market needs to be more clearly defined.

Camcorders are one of the fastest growing product categories for retailers. Sales for camcorders are up 50 percent in the year to date, EIA said. The association projects sales to reach more than 1.6 million units by the end of 1987, a 37 percent increase over 1986.

Consumer Electronics $12.6 Billion

Full-Line Discounters	$6.3B
Catalogers	$0.8B
Specialty Discounters	$5.5B
Full-Line Discount Store Productivity	
Sales	$6.3B
Sales Per Store	$776,600
Dept. Size	2,300 Sq. Ft.
Sales Per Sq. Ft.	$337.65
Turns	3.3
Initial Markup	30.0%
Gross Margin	17.2%

Source: DSN research



Upgraded Domestics Help Create Home Sections

Domestics aimed at children are becoming an important segment of the category. Sheets, pillowcases and comforters in a wide variety of youth-oriented design schemes are now being actively promoted by discounters.

Nationwide DSN Report

Full-line discounters and specialty stores will increase their shares of the $4.9 billion discount domestics market this year, apparently at the expense of catalogers, according to *DSN* research. Overall, sales are expected to rise 2 percent from last year's $4.8 billion.

Full-liners' sales will climb to $3.7 billion from $3.6 billion, while specialty discounters are expected to add $100 million to their total, now at an even $1 billion dollars. Catalogers, whose involvement in soft lines has always been tentative at best, will see their sales shrink 33 percent, from $300 million to $200 million.

Much of the sales growth can be attributed to discounters upscaling their product lines and creating "home stores" within their outlets by combining domestics, furniture and housewares, or by moving these departments closer together. Most major chains have added luxury goods to attract department store shoppers and are narrowing their focus to pinpoint specific consumer segments.

That strategy worked well with men's fashion, and evidently has found acceptance in the growing youth market. Children have started making their wishes known to a degree never seen before in a wide spectrum of products, from clothing to wallpaper, and domestics is no exception. Sheets, pillowcases and comforters in a wide variety of youth-oriented design schemes, most fueled by television and the toy market (which are rapidly becoming one and the same thing), have been actively promoted by discounters. Some have added sub-departments aimed at the youth market.

Since swearing off the plain white sheet, discounters have rapidly escalated their color and fashion offerings. Watercolor-look bedding was particularly hot this year, and higher-end outlets like The Home Front are offering hand-stitch-look comforters and spreads with vivid florals and geometric designs.

The key, according to industry observers, is the perception of quality. Most domestics shoppers are familiar with terminology, and are well aware of what thread counts refer to. And they are far less resistant to higher price points.

Discounters are now almost head-to-head with department stores, and are finding that they have to provide equivalent goods to remain competitive. That has led to the introduction of brand names like Gloria Vanderbilt, Pierre Cardin and Playboy, as well as greater reliance upon well-known textile mills like Cannon, J.P. Stevens and St. Marys, the latter two of which have increased their market share against Cannon's hegemony.

Consumers have clearly shown that they have "outgrown" mere price orientation (quality is listed as the most important consideration in virtually every category except shower curtains and potholders) and will, if they must, pay department store prices.

Also playing a role in the general upscaling and fashion orientation is consumer preference for coordination throughout the house. Customers are searching for quality design complementary to their furniture, wallcoverings and general decor—to the point that many non-apparel designers are becoming household names. As a rule, the better known designers are featured by the better quality manufacturers.

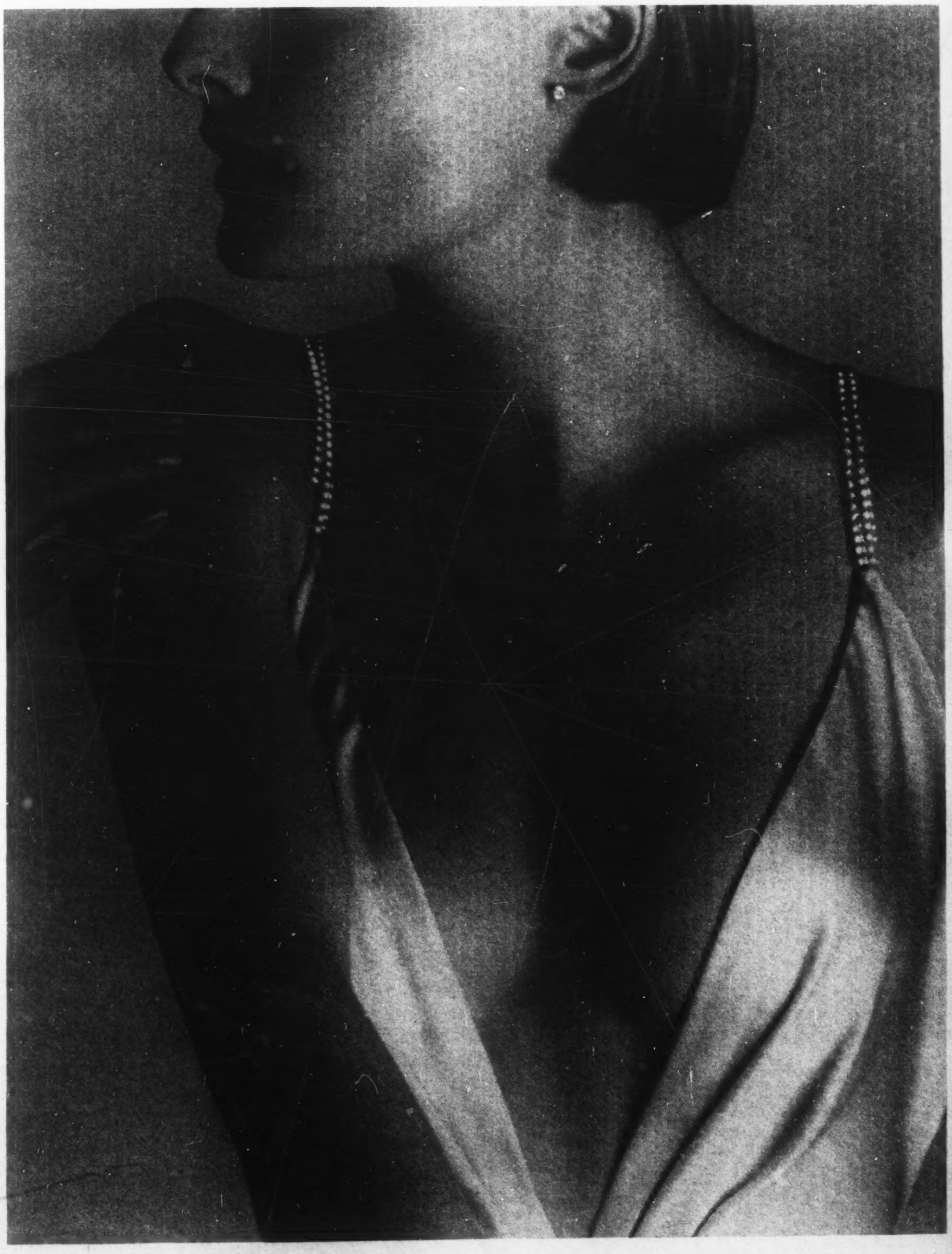
Discounters have slowly closed the gap with department stores and mass merchandisers like Sears and Penney's over the past decade, and actually lead the competition in minor areas like shower curtains. Bedspread sales are split almost equally between the three categories, and discounters generally finish a strong second in other areas.

Sales have been fueled by recognition of specialized markets, like waterbed accessories and foam and fleece pads.

DSN research on full-line discounters' department productivity reveals that sales per square foot will rise slightly, while turns and margins should hold steady. Added together, those figures indicate slightly higher price points than the previous year, which is consistent with a perception of general upscaling.

Domestics $4.9 Billion	
Full-Line Discounters	$3.7B
Catalogers	$0.2B
Specialty Discounters	$1.0B
Full-Line Discount Store Productivity	
Sales	$3.7B
Sales Per Store	$456,100
Dept. Size	3,150 Sq. Ft.
Sales Per Sq. Ft.	$144.80
Turns	2.5
Initial Markup	44.2%
Gross Margin	35%

Source: DSN research



Annual Report

Hard Lines

Specialty Chains Cut Deeply into Full-Liners' Auto Shares

Nationwide DSN Report

Although the automotives aftermarket is considered a mature, flat market, try telling that to those who market specialty auto parts for pickups and vans and the top auto specialty chains.

Sales figures for specialty chains—and their profits where available—suggest automotives departments of full-line discount stores have their work cut out for them.

Out of the top 11 specialty chains, seven logged double digit sales growths for 1986. Some examples: 25 percent at the Pep Boys—Manny, Moe & Jack, Philadelphia, and 35 percent at Auto Shack, a privately held chain based in Memphis, Tenn.

Moreover, the specialty truck and van aftermarket is predicted to grow by 11.2 percent a year through 1990, or 2½ times the growth of the overall automotives market.

Customized Pickups

In many cases, the pickup has become the hot rod of the '80s. And those who spawned the specialty market by customizing their hot rods in the '60s are willing to spend hundreds, if not thousands, of dollars to make their pickups run better than and look different from the pack. In some circles, vans, pickups and four-wheel drive vehicles have now become the status vehicles of the decade.

Accordingly, the Bradlees store that opened in Newark, Del., in March features a new specialty section that handles such items as pickup running boards and bed liner mats for pickups at $79.99 prices.

The discounter share of the parts aftermarket is projected at $9.7 billion for 1987, little improved from $9.6 billion in 1986. The full-line discounters' share of that is expected to edge up to $5.5 billion from $5.4 billion, while the share of catalogers will hold flat at $100 million. Sales of specialty discounters, however, are expected to grow to $4.1 billion from $3.9 billion last year.

Other forces at work in the aftermarket are rubbing the polish off the do-it-yourself market and have coined a new phrase, do-it-for-me.

With the introduction of computer engine controls, modern cars are becoming too complex for many backyard mechanics. Moreover, the driving population is aging, and the older the drivers get, the less inclined they are to spend Saturday mornings changing the oil in their cars.

Another factor depressing the auto aftermarket is that parts are lasting longer. In large part because spark plugs are good for 25,000 miles instead of 10,000, Champion is diversifying into such products as filters. Tires commonly can last for 70,000 miles, where 25,000 once was standard.

Providing service and appealing to women—buyers of 22 percent of pickup trucks—are other hallmarks of aggressive merchandising.

However, Target and Gold Circle both have dropped as unprofitable their automotives services, which is keeping the Pep Boys zooming along in high gear.

Service Works for Pep Boys

New Pep Boys stores in Sacramento, Calif., for example, feature nine and 10 service bays. In large measure, Pep Boys credits gains in automotives service and installation for the 51.3 percent increase in first quarter earnings to $5.9 million from $3.9 million in the same period of 1986. Sales gained 15.2 percent to $127.3 million from $110.5 million.

The retreat of Target and Gold Circle from the service arena enabled K mart to make further gains. It follows a policy of catering to women automotives buyers and providing service.

Out of some 2,200 K mart stores, 1,500 offer automotives service, but K mart evaluates the profitability of each service center.

Surveys over the year indicate that automotives buyers, especially for motor oil, remain loyal to their brands. K mart has beefed up its mix of branded and private label parts by increasing branded products by 15 percent. In another move to capitalize on the customer preference for branded goods, K mart is negotiating with Delco to provide batteries that carry both the Delco and the K mart labels.

Among brand promotions, Prestone antifreeze came in second out of 48 brand products that consumers knew discount chains were promoting, and Quaker State motor oil came in No. 7. And motor oils continue to dominate brands. Out of 10 top automotive brands discounters carry, five were motor oils. Among the top five, three were oils. Quaker State and Pennzoil led the field, followed by Fram, Prestone and Havoline.

Many discounters have found a way to squeeze a penny or two profit per quart out of motor oil, traditionally a loss-leader, by offering oil by the 12-quart case as well as by the quart. Valvoline helped that trend along by offering a $3-a-case rebate, plus a $2 bonus.

In other oil developments, fill-top plastic bottles have virtually replaced the oil can that required a separate pouring spout. And few discounters are carrying more than one brand of the relatively new 5W-30 motor oil that many four-cylinder cars require.

Automotives $9.7 Billion	
Full-Line Discounters	$5.5B
Catalogers	$0.1B
Specialty Discounters	$4.1B
Full-Line Discount Store Productivity	
Sales	$5.5B
Sales Per Store	$678,000
Dept. Size	2,400 Sq. Ft.
Sales Per Sq. Ft.	$282.50
Turns	2.8
Initial Markup	33.8%
Gross Margin	25.2%

Source: DSN research

Many discounters have found a way to squeeze a profit out of motor oil, traditionally a loss-leader—selling it by the case as well as by the quart. (DSN photo)

MARKETWATCH

SECAUCUS, N.J. — **Jamesway**, the nation's 16th largest full-line discount store, presented its Hard Lines Division 1987 Service Vendor Award recently to Liberty Distributors. Pictured, from left, are: Herbert Fisher, chairman, Jamesway; Ed Margolin, president, Liberty; Larry Fine, vice president and merchandising manager, hard lines, Jamesway; and Arlie Lazarus, president, Jamesway.

* * *

WORCESTER, Mass. — The best features manufacturers can build into their promotions to retailers are price discounts, extended dating and the flexibility to chose the time of year to run the promotions, the **Norton Company** found in a survey of retailers. Norton's consumer products division, sandpaper and abrasives, learned that 91 percent of survey respondents ranked price discounts either first or second. In addition, 45 percent ranked extended dating first or second, 37 percent valued co-op advertising dollars as their top choice, while 14 percent ranked support materials as their priority concern. Based on survey findings, Norton has developed what it calls its Dealer's Choice promotion program to permit distributors and retailers to tailor promotions to their fit own priorities.

* * *

SALT LAKE CITY, Utah — **Associated Charter Catalogs** has re-elected Jay Siegel of U.S. Merchandise as president of the catalog association. Tom George continues as senior vice president, chief operating officer and catalog coordinator. George Wilson, Wilbro Catalog Showrooms, was elected executive vice president and Jerry Friedman, Value House, filled his previous post of treasurer. John Walkenhorst, Walkenhorst's, was elected secretary.

* * *

CLEVELAND — **Catalog U.S. Merchandise**, a member of the Associated Charter Catalogs group, has opened its fifth showroom, a 21,000-square-foot unit in Elyria, Ohio. The company plans to unveil a unit in the Greater Cleveland area next year as its sixth showroom. It will be U.S. Merchandise's fourth store in its home market, where its main showroom competitor is Best Products. The new showroom was opened in a strip center across from the Midway Shopping Center, a major regional mall.

Cautious Toy Buyers Concentrate on the Basics

Toys $8.7 Billion	
Full-Line Discounters	$4.6B
Catalogers	$0.7B
Specialty Discounters	$3.4B
Full-Line Discount Store Productivity	
Sales	$4.6B
Sales Per Store	$567,000
Dept. Size	2,560 Sq. Ft.
Sales Per Sq. Ft.	$221.48
Turns	2.9
Initial Markup	37%
Gross Margin	27.2%

Source: DSN research

Nationwide DSN Report

Last year was a relatively cautious year for toy buyers. A "back to basics" atmosphere pervaded the industry and Lazer Tag emerged as one of the hot products to drive fourth quarter sales.

1987 will not be that much different in terms of cautiousness on the buyer's part as well as "back to basics" continuing as the trend. However, one distinction that has retailers concerned and is creating a major challenge for them is the current absence of a hot product to drive this year's Christmas sales.

U.S. retail toy sales rose just under 5 percent to an estimated $12.5 billion in 1986 from $12 billion in 1985, according to the Toy Manufacturers of America, the industry's trade association. William Garrity, board chairman of the association, estimated 1987 toy sales to grow about 5 percent.

Discount stores had the largest percentage of total industry sales, accounting for 33 percent in 1986, reported the NPD Group. Toy stores were second, generating 27 percent, while department stores generated 12 percent. Catalog showrooms garnered 6 percent of the toy market, while variety stores generated 4 percent and all others constituted the remaining 18 percent of sales.

According to *DSN's* research, full-line discounters, specialty discounters and catalogers expect to generate $8.7 billion in toy sales this year, up from an estimated $8.1 billion last year. Full-line discounters will increase their toy sales from $4.4 billion to $4.6 billion, while specialty discounters will go from $3.1 billion to $3.4 billion. Catalogers will generate $700 million in 1987, compared to $600 million the previous year.

Breaking down the full-line discount store toy productivity further, sales per store are expected to rise to $567,000 from $531,900 the previous year. Department size, on the average, remains at 2,560 square feet. One exception to this rule is Canton, Mass.-based Hills Department Stores, which averages 5,000-square-foot toy departments with toy sales generating over 10 percent of total stores' sales volume.

For the full-line discount store industry as a whole, toy sales per square foot are expected to be $221.48, up from $207.81 last year. Turns will increase to 2.9 from 2.7, and initial markup should rise from 36.8 percent to 37 percent. However, gross margins are expected to decline from 27.8 percent last year to 27.2 percent.

The largest distribution shift since 1982 occurred between department stores, which decreased from 21 percent to 12 percent of sales, and toy stores, which increased from 17 percent to 27 percent in 1986.

Industry Change

Another major change that has occurred this year in the industry is that it is becoming much more buyer/merchant-driven, rather than manufacturer-driven, thanks to the greater variety of product available at earlier dates, allowing retailers much more flexibility in making their buying plans.

While buyers agree the shift in flexibility has been good for sales, they agree it can also hurt the industry.

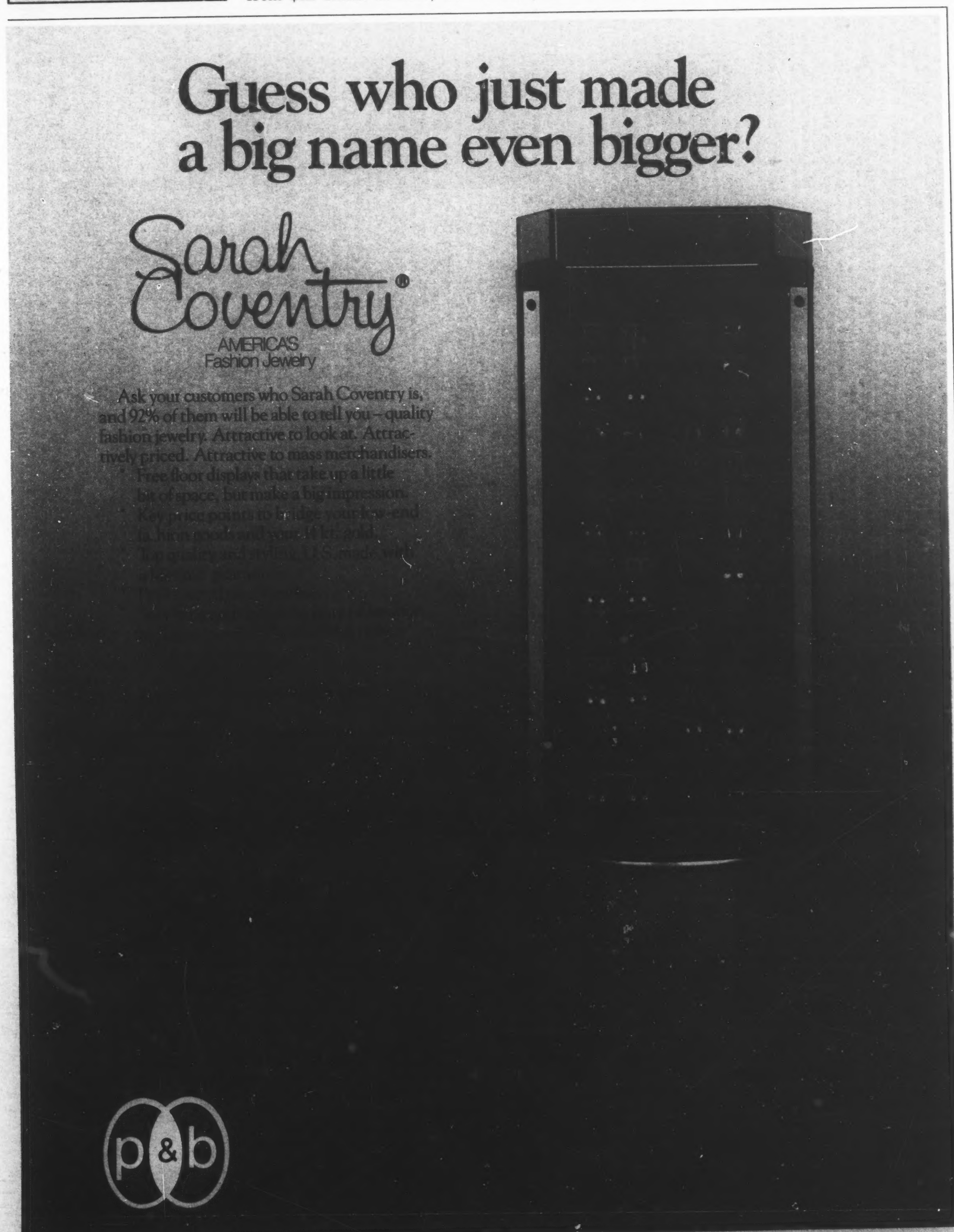
It seems that manufacturers have eased off on production and trimmed dollars spent on advertising, which is hurting the industry, said William Langus, president, Toy & Sport Warehouse, New York. This year, when manufacturers brought out their products early, they saw that expected orders were lagging and softening their TV advertising exposure, said Langus. And shortages may not exist this year because of products being shipped earlier with more choices available, which can also stifle consumer demand, he said.

"It seems that we are going back to the basic toy business from eight to nine years ago, when we struggled for the first months and in the fourth quarter brought back profit," Langus said.

And "back to basics" may be here to stay in the toy industry as more consumers are becoming price conscious and seeing better value for their money in basics, while retailers are seeing more margin return with basic product.

Avon, Mass.-based Child World expects the new high-tech interactive toys introduced this year to have the same type of positive effect as the animated talking toys did last year in boosting its business, said Gilbert L. Wachsman, president of Child World.

"I doubt that interactive toys and talking dolls will generate any significant volume due to being too expensive and because of the confusion they will create for the customer," said Joseph Chiang, chairman of the executive board of directors for Merchants West, which operates a California chain called Karl's Toys.


Guess who just made a big name even bigger?
Sarah Coventry®
AMERICA'S
Fashion Jewelry
Ask your customers who Sarah Coventry is, and 92% of them will be able to tell you – quality fashion jewelry. Attractive to look at. Attractively priced. Attractive to mass merchandisers.
Free floor displays that take up a little bit of space, but make a big impression.
Key price points to bridge your low-end to high-end and your 10 kt. gold.
Top quality and styling. U.S.-made with
p&b

Women DIYers Propel Discounters' Hardware Dept. Growth

Nationwide DSN Report

Price increases of 2 percent to 5 percent—following several years of relative price stability—mark the hardware retail industry, as the drive for the female shopping dollar forges ahead in a slow but steady pattern.

For imported hand tools, the price increases range to 10 percent or more, prompting some buyers to take a second look at domestics suppliers.

The appeal for women shoppers, couched in more attractive packaging, easier to find displays and better do-it-yourself instructions, will continue to get stronger.

As the traditional shopper in discount stores, women are finding more emphasis on home decorating materials, such as inexpensive and easy-to-install wallpaper borders. But merchandisers view women as a prime growth market for complex DIY projects.

Women DIYers

A survey by the marketing research division of the National Retail Hardware Association found that women were involved in 45 percent of home improvement projects, primarily in tasks such as painting and papering. Now that the number of new household formations has peaked, the home improvement market consists largely of a replacement market, according to the NRHA.

Consequently, a major growth prospect is to persuade women to tackle more difficult DIY projects. Upgrading the skill levels of projects that men undertake also presents a growth area, researchers conclude.

Another marketing thrust the association favors is to capitalize better on the tendency for impulse buying. An association survey of hardware customers found that 47.9 percent bought items on impulse, in addition to the items they planned to buy. Accordingly, the association suggests that hardware retailers promote impulse buying with appropriate dump bins, endcaps and signage.

Including paint, the discount share of hardware sales is projected at $6.8 billion for 1987, compared to $6.6 billion in 1986. The catalogers' share of hardware is expected to drop to $100 million from $200 million, as major players such as Best and Service Merchandise cut back on hardware offerings in favor of higher margin goods, such as jewelry.

Thanks to improvement in rechargeable batteries, cordless tools have surged in popularity. They are the fastest growing segment, for example, of Black & Decker's power tool sales. B & D offers 23 models, many of them selling at less than $30.

Skil expected to sell about 1 million of its Twist cordless screwdrivers in the last five months of 1986, and predicted that consumers would pay between $20 and $25 apiece for a total of four million cordless screw drivers in 1986.

Because of technology advances, wireless home security systems, such as the Keepsafer from Schlage, are booming in the overall security field.

The average sale for the basic Keepsafer is $330. With the Keepsafer Plus, which includes an automatic monitoring system and telephone trouble reporting, the average price tag jumps to $570.

Such systems are easier for the DIYer to install because they require no hard wires. Instead they operate on electronic impulses or through radio control.

Gold Circle Stores, Worthington, Ohio, displays a whole package for security rather than individual items, such as motion detectors, retailing for less than $50, that automatically turn on outside floodlights. Timed to reach vacationers, Gold Circle this summer is running a double truck newspaper ad campaign promoting home security.

B & D also has developed a home security system. Along with Stanley, B & D continues to dominate the top brands in the minds of discount store managers. In a *DSN* survey of store managers of the top brands, B & D scored 78 percent, while Stanley scored 73 percent. General Electric came in a distant third with a 10 percent ranking.

Revamping Hardware

Many discounters are revamping hardware, adding more selection of name brands and a higher quality of merchandise.

K mart, Wal-Mart, Hills, Caldor and Zayre have all increased their emphasis on brand name hardware. Target and Gold Circle have increased the space they allot to some hardware, such as locks.

In response to home center competition, S.E. Nichols, based in New York, finally gave up on carrying lumber in its home improvement departments and increased its emphasis on hardware basics.

In retrofitted stores, Nichols increased tools by 30 percent to 40 percent, tripled electrical to 236 feet from 80 feet, and added bulk plumbing supplies to a mix that leaned toward carded items.

In another hardware development, K mart has drawn on experience with its Builders Square home center subsidiary to develop a new prototype for its Home Care Center. Developed in the Lawton, Okla. store, the prototype is slated to be installed in 50 of the 300 stores that have Home Care Centers.

The major thrust of the prototype is to give K mart dominance in all key categories by offering shoppers choices by category, price, quality and product performance.

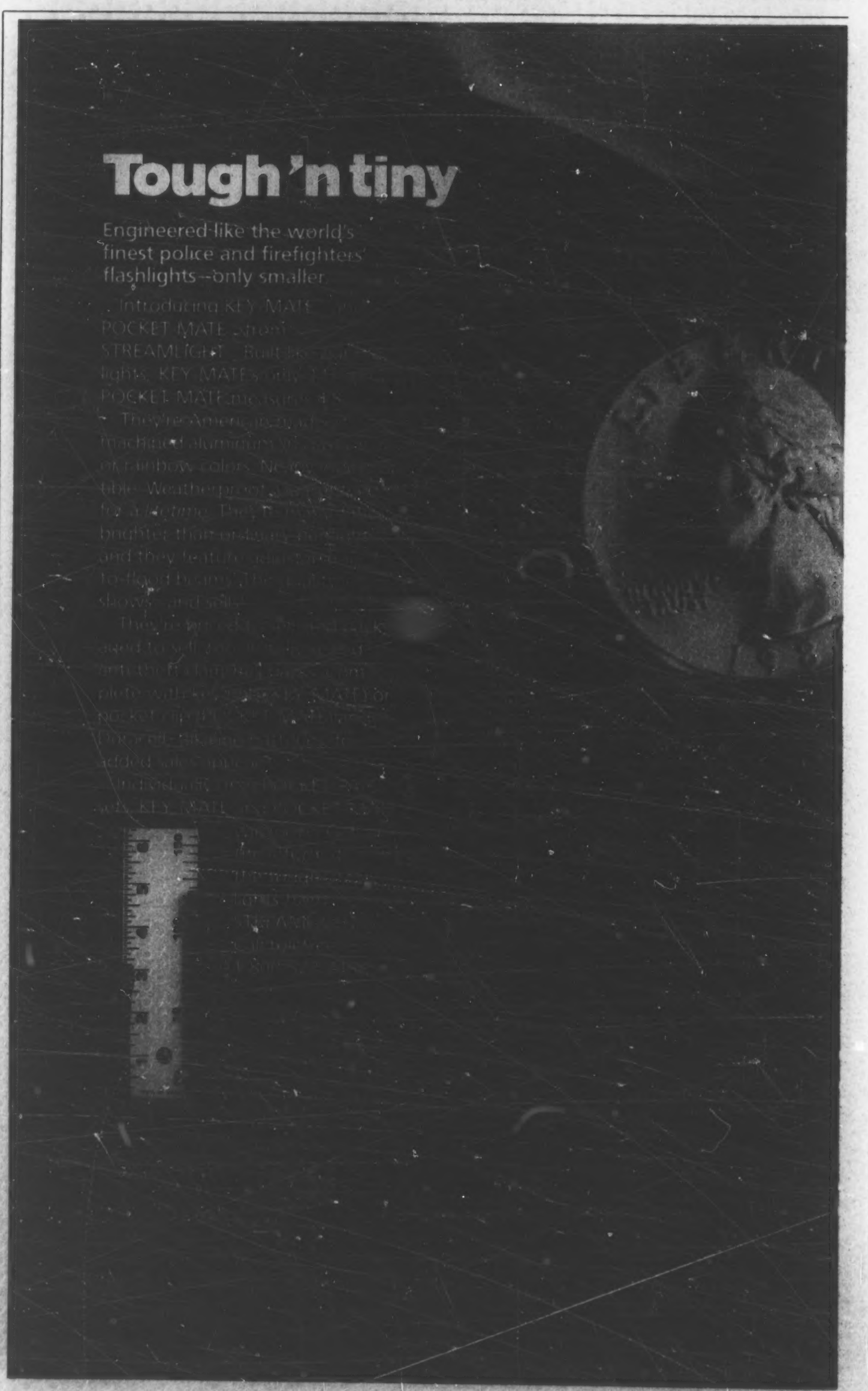
In hammers, for instance, the Lawton store offers 36 choices of hammers, ranging in price from $3.97 to $23.97. Previously, it offered three or four sku's.

The new centers occupy 6,000 square feet of space and most counters run 35 feet to 45 feet long.

Discounters' share of hardware sales—including paint—is projected at $6.8 billion for 1987, from $6.6 billion in 1986. (DSN photo)

Hardware* $6.8 Billion	
Full-Line Discounters	$6.7B
Catalogers	$0.1B
Specialty Discounters	NA
Full-Line Discount Store Productivity	
Sales	$6.7B
Sales Per Store	$825,900
Dept. Size	100 Sq. Ft.
Sales Per Sq. Ft.	$187.70
Turns	2.5
Initial Markup	41.8%
Gross Margin	32.7%

*Includes paint.
NA—not available
Source: DSN research



Fishing, Camping, Cycling, Walking Replace Exercise Craze

Nationwide DSN Report

"Back to basics" remained the central theme in the flat sporting goods market through 1986 and into this year, as consumers turned away from the once-hot exercise category. "The whole industry is waiting for something new," said Herman's vice president George Walker, and discount buyers nationwide echoed that same sentiment.

Sales industrywide were flat, remaining at the 1985 level of $6.1 billion. Full-line discounters once more had the lion's share of the market, $4 billion total. Catalogers also held steady at a half billion dollars, but specialty retailers stepped up significantly to $1.6 billion, a 14 percent gain over 1985's $1.4 billion.

Demographically and psychographically, the new analytical buzzword, the slowing of the exercise equipment category makes sense. Americans are tiring of the anorexic look of joggers and compulsive exercisers, and are evidently looking for fun, social activities that will get them outdoors and provide them with more natural exercise.

Also, as the population ages, there is a predictable movement away from potentially harmful levels of exertion to forms of exercise that are kinder to stiffer muscles and more brittle connecting tissue.

Sporting Goods $6.1 Billion	
Full-Line Discounters	$4.0B
Catalogers	$0.5B
Specialty Discounters	$1.6B
Full-Line Discount Store Productivity	
Sales	$4.0B
Sales Per Store	$493,000
Dept. Size	2,500 Sq. Ft.
Sales Per Sq. Ft.	$197.20
Turns	2.0
Initial Markup	37.2%
Gross Margin	28.5%

Source: DSN research

One consequence of these trends is the sporting goods industry's great hope, walking shoes. Jogging is perceived by older participants to be too strenuous, particularly to aging knees and cardiovascular systems.

Enter sport walking, billed as a truly healthful and pleasurable form of exercise. When performed correctly (there is a trick to it), walking can burn as many calories and exercise muscles and respiratory systems as well as jogging, without side effects like shin splints, knee damage and torn muscles.

The problem, of course, is convincing frugal Americans that they need special equipment to do something they've been doing all their lives without fancy shoes. And, once they accept the need for special shoes, there's the matter of aesthetics. "Walking shoes look funny," Herman's Walker pointed out. "The industry still has a way to go in design and cosmetics."

So far, older Americans do seem to be taking to walking. The activity is relatively easy, healthful and, an important consideration, social. The solitary jogger is slowly being replaced by groups out for a stroll. Whether or not it will ever become the next "big thing" as manufacturers predict, however, is a very open question. Results, retailers say, are encouraging but hardly decisive.

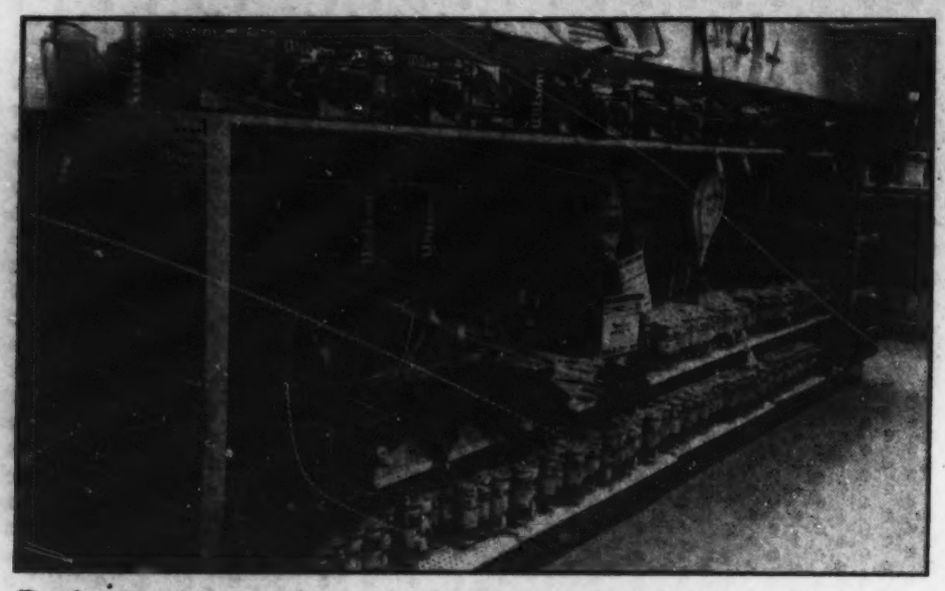
However, other activities with many of the same elements are doing extremely well. Fishing, biking, camping and swimming are all social activities with low to medium levels of exertion that keep participants outside and are generally perceived to be fun.

Fishing has been rising in popularity for several years, and seems poised to really take off. As Orlando Wilson, host of the popular WTBS cable television show "Fishing With Orlando Wilson" put it, "Everyone can do it and, more important, they can spend whatever they want for it." He pointed out that the sport fisherman with thousands of dollars worth of equipment and the beginner with a homemade stick-and-string outfit are participating in essentially the same activity.

Fortunately for retailers, the average fisherman falls somewhere in between the two extremes, and his most common source of supply is the discount store. Discounters have seen sales gains in the 10 percent to 12 percent range over the last year, and most of them see the growth in this area continuing.

Bicycling is another lucrative growth area, particularly at the higher end. Once again, it is usually a social sport (al-

(Continued on page 149)



Basic sporting goods products are experiencing a resurgence at both full-line discount stores and specialty outlets. (DSN photo)

Fishing, Camping, Cycling, Walking Replace Exercise Equipment Craze

(Continued from page 148)
though the exertion level is obviously much higher than fishing), relatively inexpensive, and perceived as healthy and fun. Many retailers name bicycles as their single best sporting goods category. However, other retailers complain that margins on this product are not what they used to be.

Camping, spurred by relatively low prices for innovative and high quality equipment, is another growth category. Like fishing (and to a lesser extent, biking), it is also a good trade-up area. However, supplies and price points are extremely vulnerable to import quotas and tariffs, which could be enacted within the year.

Other categories that seem to be performing well and should continue to do so include basketball, hiking, skateboards and swimming equipment.

These trends have been amply illustrated in what full-line discounters choose to promote. In a recent newspaper insert, K mart dedicated a full page to sporting goods. Included were six different bicycles, fishing gear, water skis, softball gloves, camping equipment and golf clubs. Conspicuous by its absence was any mention of exercise equipment.

A ShopKo catalog contained 20 pages of camping, biking, golfing, fishing and team sports equipment with no mention of exercise goods. A Zayre Father's Day circular included a compact exercycle (at $29.86) in nearly two pages of sports equipment.

Sports Clothing

In soft goods, sports clothing will continue to do well, mainly because many Americans of all age groups and athletic achievement have adopted sports clothing as their preferred leisure attire. Even non-participants seem to favor the look of athletic wear during their off hours, and many discounters have reacted by establishing whole activewear departments, or by accenting the goods within their apparel sectors.

Given the current fascination with the jock look, can the first fleece three-piece suit be far off?

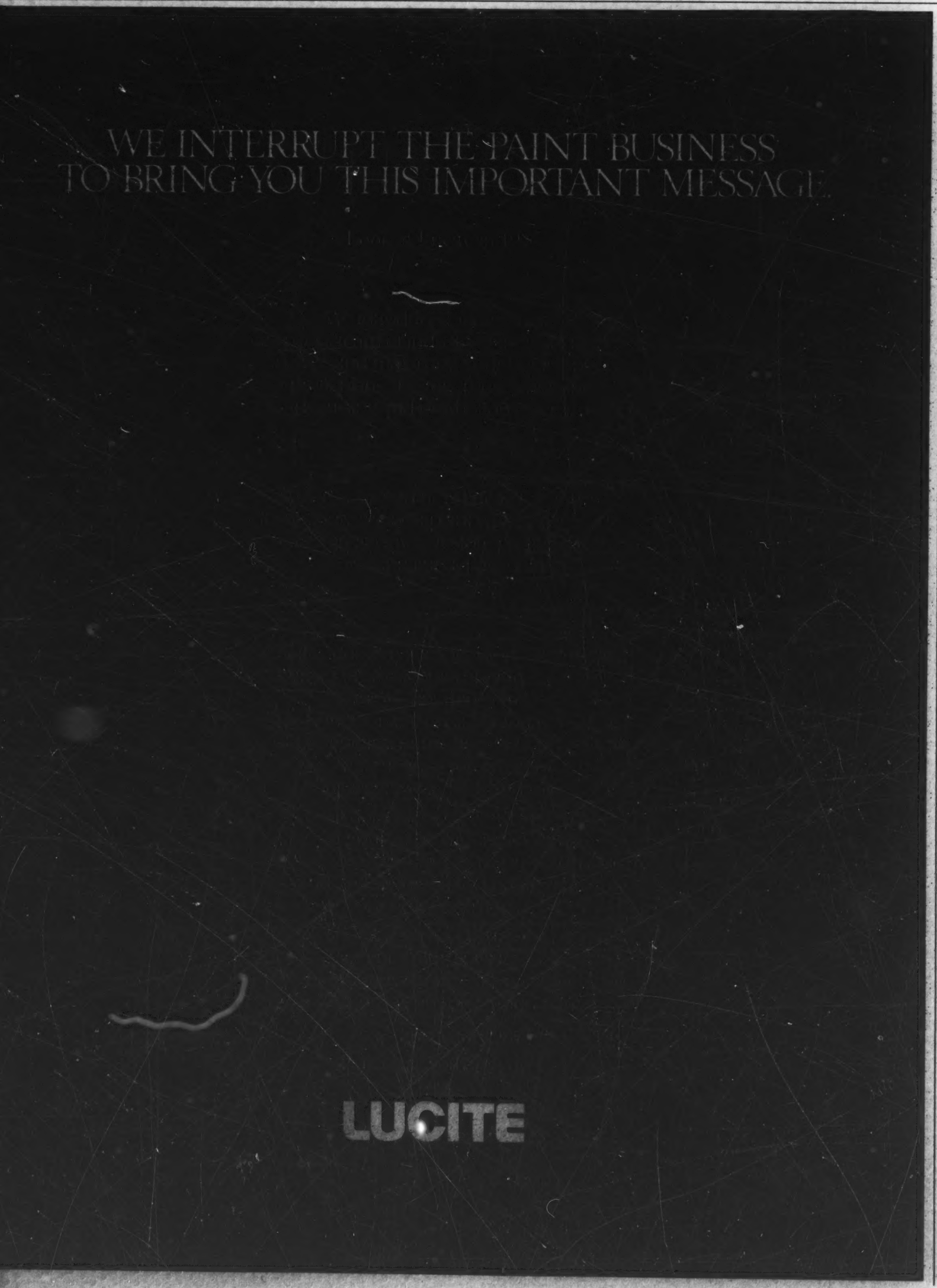
Like apparel, Americans seem to have decided that athletic shoes are perfectly viable in all but the most formal settings. And they're buying more of them than ever.

The Reebok explosion of 1986 may have underscored the point, but the growth of athletic shoes as fashion items has been in progress for several years—and it shows no sign of slowing down. Like camping equipment, though, there may be storm clouds on the horizon in the form of trade restrictions.

Firearms, except for air rifles, have maintained their market position, and done little more, apart from a few isolated models. One buyer noted that the item was a "cash cow," but felt that the level of help required in the department to keep it profitable was difficult to maintain.

Otherwise, the biggest news in the sporting goods arena has been the infighting among several top specialty chains as they attempt to expand at an acceptable cost. Herman's has apparently been the big winner so far, but Thrifty Corp., which owns three of the top 10 chains, is evidently building itself up to become a national presence. However, Herman's is on a track that may boost its category-leading sales by over 50 percent in a two-year period.

Answers:
1. c, 2. a, 3. c, 4. b, 5. b



Price Wars Cut H&BA Margins, But Sales to Rise

Discounters are likely to increase the size of their H&BA departments and offer a broader selection of brands. (DSN photo)

Health & Beauty Aids $5.9 Billion

Full-Line Discounters	$5.9B
Catalogers	NA
Specialty Discounters	NA

Full-Line Discount Store Productivity

NA—not available
Source: DSN research

Nationwide DSN Report

Competition is expected to continue to chip away at the margins of the already low-profit health & beauty aids business at discount department stores, but higher sales volume will hopefully balance out the equation.

Discount department stores, deep discount drug store chains, supermarkets and superstores are each vying for volume.

DSN projects a modest $1 million increase in H&BA sales volume to $5.9 billion during 1987, combined with a 0.3 percent drop in both initial markup and gross margins this year to 25 percent and 19.3 percent, respectively, as competing retailers try to undercut each other's prices on H&BA basics.

To gain the loyalty of a larger customer base, discounters are likely to increase the size of their H&BA departments and offer a broader selection of brands. Some will also add facings to reduce the number of times store level workers will need to restock.

Merchandising Areas

The size of the merchandising area is projected to increase to 3,200 square feet this year. Even though the selling area is growing slightly, the sales generated by each square foot is projected to rise to $227.28 from $223.25. Sales per store are projected to jump to $727,300 during 1987 from $701,000 last year.

Ethnic H&BA, condoms, alternative fragrances, rising cosmetic sales and contact lens treatments are factors in the projected rise.

Last year, discounters held onto their 8 percent share of the ethnic market, even though the average price of the purchase rose while the average unit price fell, according to the Chicago-based American Health & Beauty Aids Institute.

The addition of more expensive brands was one reason for the average price increase. Cosmetic purchases this year by black shoppers is expected to grow from $2.7 billion to $3 billion, according to the U.S. Commerce Department.

The growing threat of AIDS has spawned a new condom buyer. With women joining the ranks of male shoppers and advertising by the manufacturers becoming more prominent, this $115 million market is likely to grow.

Cosmetic and fragrance sales are expected to become even more price sensitive this year, resulting in a wave of new low-ticket, discount shoppers. As the size of that market swells—it is expected to grow by 2.6 percent this year and continue at a 2.8 percent rate through 1991, according to the Commerce Department—so should the price-conscious population.

Alternative Fragrances

As alternative fragrances continue to establish themselves as brands in their own right and develop a loyal user base, those chains that offer the preferred lines will reap the benefits of knowing what their customers want.

Eye care is another category within H&BA that experienced growth in 1986. And this category is expected to get even bigger this year. Discount store distributor Boston Distributors said the eye care category was the single largest growth category it had last year, surging 31 percent over the 1985 volume.

Nationally the industry grew 16 percent to $795 million last year. Soft lens preparations are where the growth will be, with 90 percent of all new contact lens users opting to use soft lenses. Last year, 67 percent of all lens wearers wore soft models.

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SLR Cameras Offset Slow Sales of Disc Format

Nationwide DSN Report

The photo/camera market acted its age over the past year; as a mature category, its sales are expected to be flat this year, according to *DSN* research.

Industrywide, total consumer photo sales should be $18 billion, the same as in 1986 and some $700 million less than the previous year. Of the $3.6 billion spent at discount outlets (also the same as in 1986), $3.3 billion will be taken in by full-line discounters and the remainder by taken in by catalogers.

Sales per square foot for the industry will rise slightly, but that gain will be easily offset by even lower margins in what has traditionally been a low-margin category.

Disc Cameras

The perfect three-point belly flop performed by the disc camera may have been offset by the very appealing SLR 35mm cameras, which sold over 3.5 million units in 1986 and should continue to sell well through 1987.

Mid-price non-SLR cameras sold about 3.7 million units, a 30 percent gain. The two 35mm categories combined for $600 million in value at import, which accounts for virtually all 35mm products.

The disc camera format evidently has failed to make an impact with consumers, and has been virtually ignored by the younger, more affluent consumers who drive the photo industry.

Polaroid System

Polaroid's new instant system, its first in 14 years, is expected to drive the instant camera category to its first gain in nearly a decade. Featuring automatic focus and exposure, the system has much the same appeal as the SLR 35mm, and picture quality is roughly equivalent to one-hour processed 35mm film.

Film sales have performed well, particularly as the one-hour processer becomes more common.

Agfa Penetrates Market

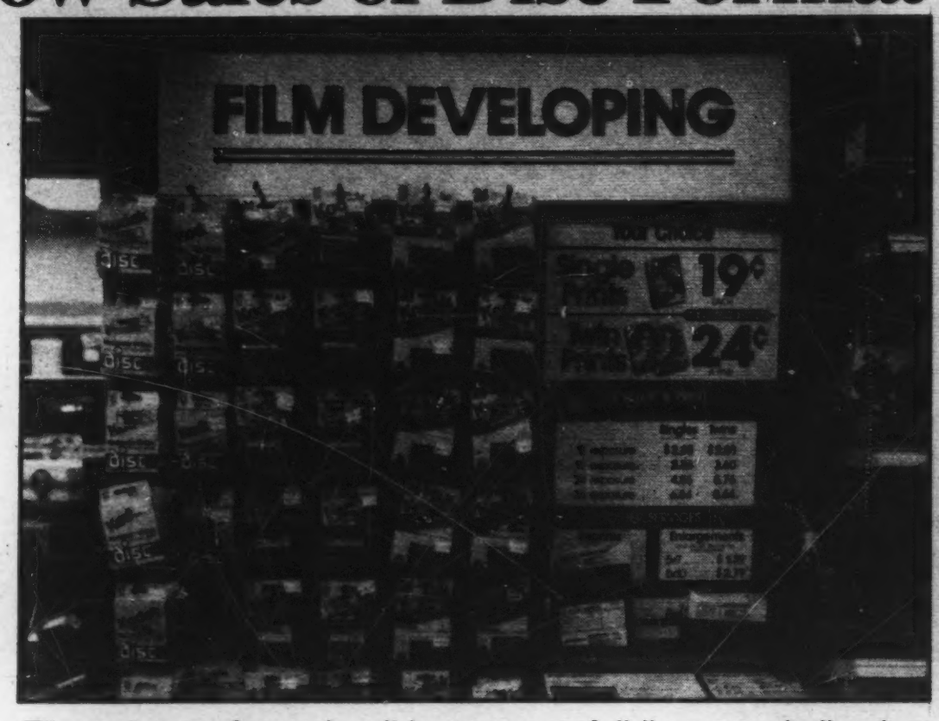
Fuji has challenged Kodak for a few crumbs of market share, and apparently has been moderately successful, although a spokesperson for Agfa-Gavert, the European giant now trying to penetrate the U.S. nonprofessional market, said that the Japanese firm "spent a lot of money getting what Kodak had already decided to give them."

Agfa, well-known in professional and technical circles in the United States, is following a piggyback strategy—dual branding with discounters—to get name recognition. It hopes that customers will notice a real difference in quality and become repeat buyers. And, through word of mouth, Agfa hopes to build up the newcomer's sales.

The casual photographer has never before had the variety of sophisticated, idiot-proof equipment available as in the past two years. But even as unit sales rose, margins started eroding. Most retailers cut back on sku's to concentrate on mid-priced, point-and-shoot models that have become almost omnipresent in U.S. homes.

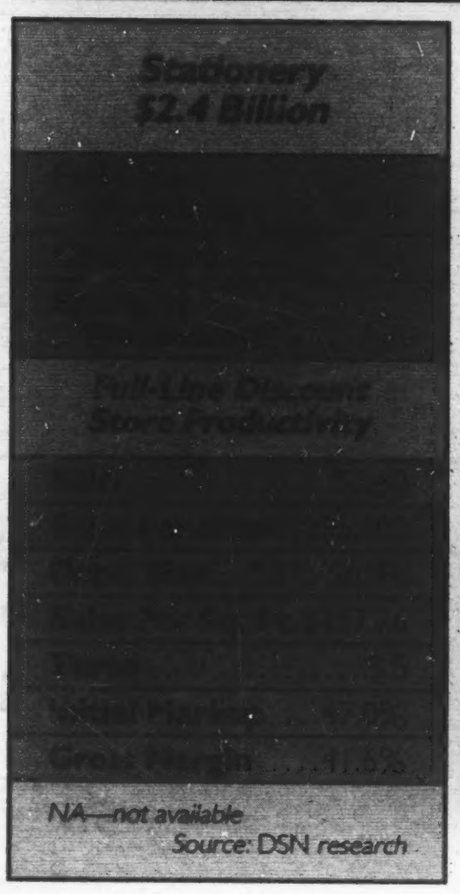
Therein, of course, lies the rub. Even as prices fall, demand is lagging. Most consumers that want a camera have a camera. And the photo/camera market is mainly aimed at replacement and upgrading.

With that in mind, it's not surprising that analysts are predicting another flat year for the industry. Bright spots appear to be instant camera technology and sophisticated accessories, which have the only strong margins in the field.



Film sales performed well last year as full-liners capitalized on the opportunity to attract repeat business. (DSN photo)

Ambassador Card No. 100ZB 124K. Inside sentiment: 'Thought I'd drop everything to wish you a Happy Birthday!'



Color Craze Bleeds Over Into Stationery Dept.

Stationery sales at discount stores will rise to $2.4 billion in 1987, an increase from $2.3 billion last year. (DSN photo)

Nationwide DSN Report

The pastel craze that has hit everything from hair driers to radios, fans and even tool boxes over the past several years came on strong in stationery merchandise during 1986, as several vendors pursued the fashion potential of basic home office and school supplies.

"Last year color made its first major impact on our business and now we're going to jump on the color trend in everything from pens and pencils to covers that wrap around composition books," Bernard Elias, general merchandise manager at Family Dollar, said during a seminar at the Back-to-School show this year. "We plan to look as up-to-date in stationery as we do in our apparel departments," Elias added.

The importance of color has bled into felt tip marker sales, where thick- and thin-line highlighter sales were up 82 percent through all retail outlets, ringing up a sales total of $31.74 million across the stationery industry. Regular thick and thin markers were up 39 percent in total sales dollars to $74.16 million.

Stationery Sales

According to *DSN* projections, stationery sales at discount stores will rise by $1 million during 1987 to $2.4 billion, compared with an estimated volume of $2.3 billion during 1986, as home office and back-to-school sales edge upward.

Turns and department size are expected to remain constant at 3.5 and 1,875 square feet, respectively. Initial markup on stationery lines are expected to drop slightly to 47 percent from 47.4 percent. Despite this slight decrease, gross margins are projected to hold at the 41.6 percent level during the year.

One of the elements likely to hold initial markup down in the stationery department is due to back-to-school merchandise. The intensified competition that discounters are getting from drugstores, especially from the deep discounters and the one-stop shopping supermarkets, has been taking its toll on back-to-school merchandise volume figures.

Rising Competition

The higher margins earned on fashion-oriented home office equipment will be offset by lowered back-to-school prices in the face of rising competition and costs.

Cost Hikes

It was just a few years ago, in 1984, that costs rose between 15 percent and 20 percent on back-to-school commodities, and yet another year of cost hikes is anticipated for this merchandise.

The cost of filler paper and theme books to the retailer are expected to be about 10 percent higher this year as some manufacturers shift production efforts toward more profitable lines, such as computer paper.

"The whole industry just has to draw the line somewhere," buyer Dennis Lindberg from Omaha, Neb.-based Pamida told *DSN* earlier this year. "I just couldn't believe it when I saw retailers out there last year willing to sell theme books at 19 cents a piece," Lindberg added.

These cost problems associated with back-to-school merchandise will be an added incentive for buyers to choose their assortments more wisely and merchandise them more effectively this year.

DSN estimates chain merchandisers will succeed, resulting in an increase in sales per square foot to $157.76 from $148.26 last year. Sales per store will rise accordingly to $295,800 on average, from $278,000 during 1986.

When a new product comes from Ambassador, you won't get caught with your profits down.

In the past ten months, we have introduced two entire new card lines—and a startling new gift-wrap display. That's *three* smash hits. If you're thinking it wasn't all just luck, you're right. It took a lot of hard work—and *consumer research*.

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Because in the greeting card business, he who trusts to luck is really *asking* to lose his pants.

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FOOD MERCHANDISING

FOR NON-FOOD RETAILERS

Summer, 1987

Household products: The four highest tonnage non-edible grocery categories & how nonfood chains have come to appreciate them

Nonfood chains get "trendy: with beverages. Juices and bottled waters now round-out soft drink sections.

On the Trail of Incremental Sales: Grocery manufacturers & nonfood retailers "partner" in building new opportunities

Special Report

Membership Clubs: $8 billion industry should triple in sales by 1990

How membership clubs use groceries to generate case lot turns and bottom line profits

Food for Thought 5
Meet the new kid in town: Membership Clubs

News Basket 7
How K mart uses groceries to hype holiday traffic

Sami: Category seasonality report 9
The foods and nonfoods to promote this spring

Partners in Profits: Grocery Manufacturers & Non Food Retailers 11
Today's new partners are working together to generate incremental sales while protecting and expanding market shares

Membership Warehouse Clubs: Retail's Most Formidable Competitor 17
Sales for this new retail segment were up 82% last year to $8.2 billion. By 1990, analysts estimate there will be over 600 membership clubs with sales in excess of $21 billion

Beverages in Non Food Stores 23
Mix today includes juice, bottled waters and asceptic packs as well as soft drinks. The goal: build traffic and enhance profits

Household products & cleansers 27
How nonfood chains are turning to the highest tonnage nonedible groceries to lure price conscious, convenience minded shoppers

K mart Uses Groceries To Hype Holiday Traffic

Grocery products lend themselves brilliantly to seasonal promotions. Buyers and merchandisers who are planning Thanksgiving promotions now should take a look at K mart's 1986 Thanksgiving circular.

Dry grocery items accounted for 83% of the 12 items on the circular's front page.

Most dominant were an aluminum foil, K mart's own store brand, Ocean Spray cranberry sauce, Libby's pumpkin pie mix, Stove Top stuffing mix and three packages of chocolate bits: Reese's peanut butter cups and Hershey's milk chocolate chips and semi-sweet chocolate chips.

Also on the page were Eagle Snacks Honey Roasted Peanuts, K mart's own paper towels as well as a variety of 20 and 30 gal. trash bags.

Inside the circular, K mart did a spread on clip and save coupons which featured a number of other grocery products including cookies, smoked oysters, egg noodles, candies, plastic tumblers, liquid all-purpose cleaners, laundry detergents and light bulbs.

Managers said their sell throughs on the featured items were "excellent."

The Foods Shoppers Buy The Most

Here's a puzzler for you. The answers are milk and bread. Now what was the question?

Did you say "what are the two most frequently purchased categories in a grocery store"?

Well if you did say that, then you get the brass ring because, according to the latest Point of Purchase Advertising Institute Food Store Shopper Buying Habits study, that is what shoppers do buy most frequently when browsing for groceries.

In the fall of 1986, POPAI did a full scale shopper purchase habit study in 20 markets across the country. Their researchers recorded over 65,000 purchases made by a total of 4,000 food shoppers.

The Food Categories Bought Most Frequently

% of purchases per every 100 shoppers

Milk	33%	Refrigerated orange juice	8%
Packaged bread	25	Ice cream	6
Eggs	14	Bacon	6
Chicken	12	Potato chips	6
Crackers	11	Concentrated orange juice	5
Cookies	10	Hotdogs	5
Ground beef	10	Corn chips	3
Packaged luncheon meats	8	Snack nuts	3

Source: POPAI 1986 Consumer Buying Habits Study

In their preliminary analysis of that data, POPAI found that for every 100 shoppers interviewed during a typical shopping trip, 33 purchased milk, 25 purchased packaged bread, and 14 bought eggs.

Eleven out of every 100 bought crackers, 10 bought cookies, eight bought refrigerated orange juice and packaged luncheon meat.

Six bought ice cream, bacon and potato chips; 5 bought concentrated orange juice and hotdogs, and 3 bought corn chips and snack nuts.

With the exception of chicken and ground beef, which were also mentioned as frequent purchasers, each of the categories cited are normally found today in most chain drug stores while the dry groceries cited are also found in almost every discount and mass merchandise store.

Says Eckerd food buyer Peter Agostinio: "These categories for us are 'opportunistic' additions to our everyday mix. They help us build traffic and they increase the frequency or repeat visits to our stores."

Glad's Million Dollar "Mystery" Promotion

The Glad food storage and trash bag line will be featured this summer in a new movie being released by Dino DeLaurentis Productions.

The movie, called a Million Dollar Mystery, co-stars Glad spokesman Tom Bosley as a man who knows the whereabouts of some $4 million in hidden booty.

Throughout the course of the movie, various actors find the bulk of the hidden treasure, but at the end of the movie some one million is left unaccounted for.

In an unusual prologue, Bosley reappears on screen after the movie ends and gives the audience tips on how they can find the missing million.

He tells them to look for clues in packages of Glad products. Consumers who successfully interpret the clues to guess the hiding place of the money will be eligible to compete in a Glad sweepstakes. The grand prize is the mystery million.

Drug, discount and food stores are backing the promotion by allotting endcaps and other in-store display vehicles to the Glad line for the late June/ early July period when the contest should be at its peak. The sweepstakes drawing is in late July.

Best Selling Categories of Spring

The chart below lists the best selling categories in food stores for the months of March, April and May.

The rankings are based on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ended in May 1986.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.

FOODS AND GROCERIES: BEST SELLERS OF SPRING

(Averaging three year index ranking)

March

Foods	Index ranking
Packaged candy non-chocolates	256
Packaged jellies	181
Packaged solid chocolate pieces	161
Tartar sauce	146
Diet desserts	144
Canned salmon	139
Fruit rolls & bars	139
Packaged other chocolates	133
Dried prunes	127
Diet canned fruit	125
Packaged novelties	121
Dry topping mixes	120
Diet canned vegetables	120
Canned apricots	119
Ready-to-spread frosting	118
Canned peaches	118
Chocolate covered creams	117
Diet jams, jellies spreads	117
Canned pears	117
Honey	116
Dry toasted items	116
Canned spinach	116
Canned beets	115
Cereal meal bars	114
Gelatin desserts	114
Diet salad dressings	114
Canned pineapple	114
Pizza products	114
Dessert baking mix	114
Nonfoods	
Car Care Products	125
Bath additives	110

April

Foods	Index ranking
Soft drink mixes	191
Iced tea mixes	158
Instant tea	146
Barbecue sauce	144
Freezer bars	143
Diet desserts	130
Fruit rolls & bars	124
Canned pears	121
Dry topping mixes	119
Canned peaches	118
Canned pineapple	118
Diet canned fruit	117
Diet salad dressings	117
Canned fruit cocktail	116
Dried prunes	116
Canned beets	116
Diet canned vegetables	115
Canned apricots	115
Frosting mix double layer	113
Bubble gum	113
Canned hams/meats	113
Relishes	113
Canned spinach	113
Diet jams, jellies spreads	112
Prepared mustard	111
Grape juice	111
Ready-to-spread frostings	110
Hard candies	110
Gelatin desserts	110
Nonfoods	
Insecticides	226
Insect repellents	223
Car care products	155
Charcoal lighters	152
Charcoal	134

May

Foods	Index ranking
Freezer bars	234
Barbecue sauce	189
Relishes	170
Fruit pectin	169
Iced tea mix	162
Instant tea	161
Canned salads	157
Pork & beans	146
Soft drink mix	146
Meat sauce	130
Mustard	126
Diet salad dressings	124
Pickles	123
Pourable salad dressings	123
Potato chips & salty snacks	123
Catsup	121
Diet canned fruits	120
Spoonable salad dressings	119
Meat tenderizers	119
Diet soft drinks	117
Dry topping mix	116
Bubble gum	116
Juice/juice concentrates	116
Reg. soft drinks	116
Diet desserts	115
Single strength juice drinks	114
Fruit rolls & bars	114
Mayonnaise	113
Nonfoods	
Charcoal lighters	213
Charcoal	212
Insect repellents	205
Insecticides	168
Car care products	150
Paper & plastic plates	140
Plastic flatware	137
Paper/plastic cups	122
Motor oil & car additives	116
Window cleaners	115
Paper napkins	110

Source: SAMI Seasonality Study

Membership Warehouse Club Sales Soaring

Sales for the 228 universe of Membership Clubs jumped 82% to $8 billion in 1986. Edible & nonedible groceries accounted for about 45% of total sales.

Warehouse Clubs, which are competing with drug and discount store chains on grocery retailing, as well as on such traditional categories of merchandising as HBA, sundries, low and high ticket electronics, and apparel, are continuing to show dramatic gains both in store counts and dollar sales.

According to the latest survey done by *Discount Store News*, FM's sister publication, sales for Membership Warehouse Clubs hit $8.2 billion in 1986, up an amazing 82% over 1985.

The total number of units in existence hit an estimated 228 in 1986, up 66% over the prior year.

For 1987, *Discount Store News* is estimating that dollar sales for all Membership Clubs will hit $11.6 million, which will represent an increase of 41% over the prior year.

Stores will climb on estimated 43% to 325 units, *DSN* is estimating.

Many warehouse clubs carry large assortments of refrigerated and frozen foods. The mix is on large sizes of the highest consumption categories.

Membership Clubs: The customer base and the mix

Membership Warehouse Clubs serve a relatively unique mix in the retail marketplace. A hybrid that is half wholesale/half retail, the typical mix of a warehouse club includes edible and nonedible groceries, health and beauty aids, apparel and other softwear, and a variety of hard line items ranging from televisions and stereos through tires and such gadgets as electronic garage door openers.

The customer base is predominately small businesses with off-the-street customers usually making up about 30% of a typical wholesale club's customer mix.

Margins average about 10%

Sometimes, however, the customer mix can be more in the vicinity of 50% to 50%, half small businesses buying on a cash and carry basis and half individual man/woman in the street type consumers buying by the case load on low- to mid-ticket items and in singles on high ticket items like televisions.

Membership Warehouse Clubs: Sales and Unit Growth
(1983 through 1990)

	Sales (billions)	Units
1983	$1.0	36
1984	2.4	79
1985	4.5	137
1986	8.2E	228E
1987	11.6P	325P
1988	14.2P	400P
1989	17.8P	505P
1990	21.0P	600P

E means estimated. P means Projected
Source: *Discount Store News* Research

Markups in a typical Warehouse Club are typically low to generate turns. Most Clubs say they charge wholesale prices plus a small markup of approximately 5%. Profit margins generally average about 10% overall.

Most Clubs also charge members a fee to join as well as an annual fee to remain a member. Most Clubs also usually insist on cash payments rather than checks or credit cards.

Who's Who in Membership Clubs

The leading chain in the segment is still Price Company, whose founder Sol Price opened the first Membership Club in San Diego, Calif., back in 1976. In 1986, Price Club generated approximately $2.8 billion in sales from a universe of just 27 stores.

Second place goes to Sam Walton, the founder of Wal-Mart. Walton's four year old chain of Sam's Wholesale Clubs now numbers over 49 stores, responsible for an estimated $1.6 billion in 1986.

Costco, Seattle, Wash., is third with 1986 sales of $900 million while fourth and fifth place go to PACE, Denver, Colo., with sales of $600 million in 1986, and Super Saver,

Price sells food in the warehouse club industry. The average purchase is in case lots , and the average sale is often over $100.

Who's Who in Membership Warehouse Clubs

(Ten top chains by dollar volume: millions)

Chain/Company	HQ	1986 sales	% chng vs '85	Total Units	% chng vs '85
1. Price Club (Price Company)	San Diego, Ca.	$2.800	56%	27	13%
2. Sam's Wholesale Club (Wal Mart)	Bentonville, Ark.	1.600	106	49	113
3. Costco	Seattle, Wash.	900	146	37	118
4. PACE	Denver, Colo.	600	60	25	56
5. Super Saver	Shreveport, La.	400	34	20	122
6. B.J.'s Wholesale Club (Zayre Corp.)	Boston, Mass.	350	75	15	36
7. Makro	Cincinnati, Oh.	290	21	4	0
8. Price Savers (Kroger)	Cincinnati, Oh.	200	33	6	20
9. Warehouse Club	Skokie, Ill.	185	108	14	100
10. The Wholesale Club	Indianapolis, Ind.	140	46	11	120

Source: *Discount Store News* Survey

Shreveport, La., with sales of $400 million in 1986.

B.J.'s Wholesale Club, a division of Zayre, Boston, was in sixth place in 1986 with sales of $350 million a year, and Makro, Cincinnati was seventh with sales of $290 million.

Altogether the 10 leading Wholesale Club chains in 1986 accounted for about 64% of all Membership Club dollar sales. In 1986, these 10 chains generated an estimated total of $7.5 billion, all off a universe of just 228 stores.

Sales will hit $20 billion by 1990

Most Membership Club executives and most analysts who follow the segment believe the total dollar sales will reach $20 billion by 1990.

Some sources, such as Walter Teninga, President of the $185 million Warehouse Club chain in Skokie, Ill., think that the estimate of $20 billion in annual industry sales by 1990 is even too "conservative."

Fred Windsor, a retail analyst with Alex. Brown & Sons, Baltimore, says that while it is impossible to predict how many Warehouse Clubs the country can ultimately absorb, he does believe that "expansion in this segment will be swift."

Windsor agrees with other analysts that the store universe will probably hit 600 to 700 by 1990.

"There is room in every major city for a number of Membership Warehouse Clubs," says Joseph Nusim, chairman of the Makro Self Service Wholesaler Club based in Cincinnati. Makro, with its four stores, is the seventh highest volume chain in the segment.

"We, as an industry," he says, "have only begun scratching the surface."

What makes Membership Clubs work

The secret to a Membership Club's success, sources say, is the ability to turn a limited inventory of between 3,000 to 3,500 sku's anywhere between 12 and 20 times a year.

The industry's most successful chain, Price Club, boasts turns of between 18 and 25 a year on a mix of about 3,500 sku's.

Like Price Club which generates about 60% of its sales through wholesale customers, the more successful chains are concentrating on targeting their customers mix to small businesses doing a high tonnage cash and carry business rather than to individual consumers doing a cherry picking "stock up" business.

60% to 70% of customers are small businesses

Jeffrey H. Brotman, chairman of Costco, the industry's third highest volume chain, says that 70% of Costco's sales are now generated by wholesale purchases.

"Maybe we're wrong," says Brotman, "but we think we can do a better business by keeping out the casual customer, and by concentrating on a smaller group of more loyal customers instead."

"At one time, we were only generating about 40% of our sales through wholesaler purchases," says John Geisse, chairman of the Wholesale Club in Indianapolis.

"Today, our wholesale business is up to 69% of our sales, and we're working very hard to keep increasing that share."

Membership Clubs Push Groceries

Best sellers are case lots, shrink wrapped packages, large sizes and anything consumable that offers the customer a "value"

Grocery product sales in wholesale clubs are booming.

Both retailers and manufacturers report that sales of snacks, pet foods, dry and packaged groceries, beverages and grocery household items are growing like "crazy" in the $8 billion dollar Membership Warehouse Club industry.

The majority of the business is being done, say sources, in large size packs or in shrink wraps that are generally merchandised off massive in-store bulk displays.

The selection in a membership club is seldom extensive, but the displays are huge and some categories like snacks get an average of 32 running feet plus extensive exposure on pallets and end caps.

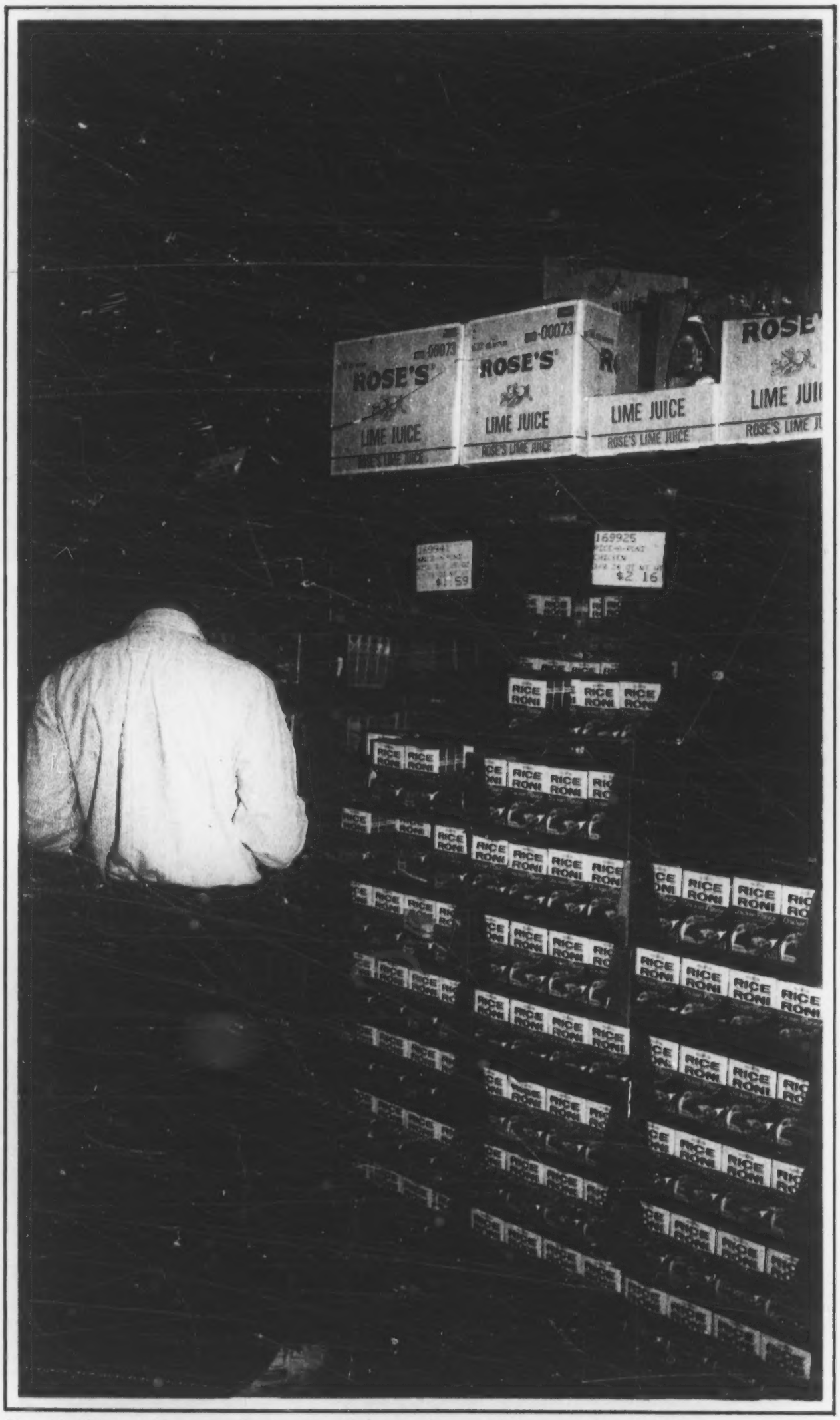
Generally Membership Club stores will only stock grocery items they've acquired at the lowest possible acquisition cost, and when they display these items, they're at the lowest possible competitive price.

Customers like to buy in huge quantities

"When a customer in a Membership Club store buys a snack or a grocery item," says Wrigley's Ron Cox, "they're usually buying full box quantities. That means the sale is usually a high ticket and it usually amounts to someone buying 12 packages at once or 20 or 24 depending on how many items are packed to a case."

"The Membership Warehouse Clubs," says Chris Abernathy, VP of Marketing for Borden's, "are places where people are buying commodities. They are not taking that much business from the traditional food stores, but they may be taking it from the mass merchandiser who tries to compete with the food stores on price.

"If someone is price conscious, there is no better place to buy a grocery item, but these stores are not that convenient yet, and they are more accessible to the small business person than they are to the average consumer so the bulk of their



About half the customers who buy food in a warehouse club are off-the-street consumers while the rest are small business buying in case lots to replenish their own stockrooms.

Some warehouse chains are trying to use their food departments to give customers "extra value." Trial generating strategies are popular.

impact right now seems to be on the smaller wholesalers and rack jobbers."

Most wholesale clubs locate their grocery type products toward the front of the store, in departments that are either close to or adjacent to the checkouts.

Bulk of sales are to small businesses

Between 55% and 66% of all their grocery product sales, sources estimate, are to local, small retail businessmen in their neighborhoods.

One such customer says that he prefers to shop the Membership Clubs whenever possible because on select items they can give him a better discount than he can get from his own traditional suppliers.

"They buy on deal," he says, "and in such massive quantities, that they can give me a better price than my own wholesaler who doesn't always take full advantage of the manufacturers discounts for volume purchases."

"The wholesale clubs are not hurting the traditional food retailers," says one rack jobber who competes with a Price Club in San Diego. "They're hurting guys like me. I can't afford to buy hundreds of thousands of dollars of packaged groceries on deal as they can. Consequently I can't offer my customers their low margins. The people who buy from them are my customers out looking for bargains that I can't offer."

Manufacturers court the Membership chains

Most grocery manufacturers are very conscious of the growth potential of this market and most say they are aggressively pursuing this marketplace, primarily by adjusting their marketing programs to accommodate the needs of the Membership Club operators.

At the end of 1986, total sales in the wholesale club industry were about $8 billion, up from about $2 billion in 1984. Industry sources estimate that there were about 200 stores that could be classified as Membership Warehouse Clubs in the country in 1986 with their numbers expected to exceed 325 by the end of 1987.

Discount Store News, *FM*'s sister publication, is predicting that total industry sales will hit $20 billion by the end of 1990.

With the industry going through such explosive growth, many grocery manufacturers like Borden's, Nabisco, General Mills, etc., either are already customizing marketing programs specifically for this marketplace, or they are thinking of doing so.

Chris Abernathy at Borden's says his company is considering producing a 2-lb. bag of chips for the Membership Clubs plus they're willing to shrink wrap existing package sizes.

"We did the same thing for the mass merchandise stores when we created the Ranch Fries line," he said, "and when we created a canister package for Ranch Fries. The canister sells best in the mass merchandise stores because their shopper tends to buy the bigger sizes."

At Eagle Snacks, VP of Marketing Tim Fleming says his company is not doing any special packaging yet but is "thinking of it. They're pressuring us for shrink wrapped packages and they want to carry our largest sizes."

At Nabisco, Don Marler who is in

charge of all sales into nonfood outlets, says his company is shrink wrapping products for wholesale clubs on request.

Marler says the wholesale clubs are especially hungry for fast moving items that can be shrink wrapped to yield a higher average ticket.

"Ritz crackers, Planter's Peanuts, the Wheat Thin crackers, these are the types of things they're most interested in. They're interested in one set price where they know that if they buy a specific quantity, they can have that price on a constant basis, and not just monthly or for that quarter."

Controlling product freshness still a problem

A few manufacturers, however, who have to worry about the freshness of their product are still shying away from the Membership Club market. One source for Whitman's chocolates said their management was concerned about "maintaining the quality of our products in this market.

"There are so many small retailers involved who are their customers," he said, "that it's difficult for us to control the distribution of our products so we've elected not to distribute there yet. But there is no doubt that it is a dynamic market with a great potential for additional sales growth."

"Food and other grocery product sales in wholesale clubs," says Jim Marx, a salesman with the Pankow broker agency in Chicago, "are growing at the rate of 25% a year and better.

"I think they'll continue to grow this fast for a number of years, primarily because the consumer today is so price conscious."

A few chains play down the role of groceries in their Membership stores, reasoning as California's Save Club's president Victor Barkhordian puts it that watching customers carry doughnuts, cheese and milk to the register can really "cool off the customers making a $250 purchase."

However, according to *FM*'s research, grocery products, including pet foods, beverages and household chemicals and paper goods, currently account for about 45% of all Membership Club purchases. Some chains like Makro in Cincinnati do better than 55% of their total business in grocery sales.

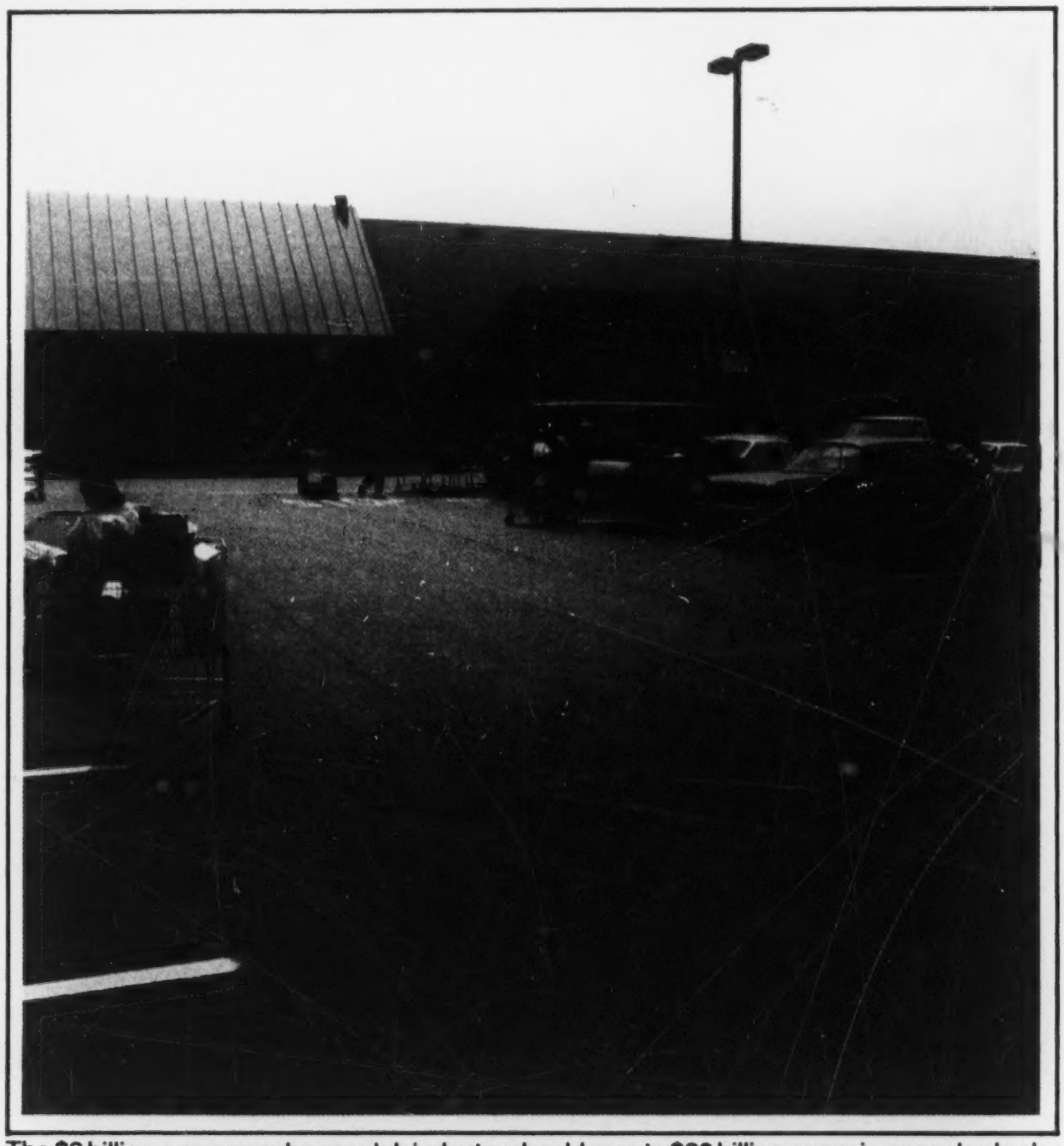
"Food is an opportunity area for us," says Makro's chairman Joseph Nusim, "because it brings the nonfood customer into our stores."

Jeffrey Zisk, President of American Wholesale Clubs in Plano, Tex., says food is very important to the Memberhip Club concept.

"It keeps customers coming through your door," Zisk says, "and it keeps your inventory turning."

Some Membership Club retailers claim they can turn groceries as many as 30 times a year and Zisk credits groceries for the fact that his customers shop his stores about every 14 days.

Groceries, he said, is a key strategy for generating repeat business.



The $8 billion a year warehouse club industry should soar to $20 billion a year in annual sales by 1990, industry sources estimate.

Grocery Sales Trends in Membership Warehouse Club Stores
(retail sales millions)

Category segment	1982	1985	1986	1987 est
Packaged Groceries (excludes snacks)	$122	$1.526	$2.802	$4.203
Packaged Alcohol	13	174	327	490
Paper Goods	11	153	288	444
Soaps/Household cleaners	12	157	296	449
Pet Foods	6	81	154	239
Total Sales	164	2.090	3.867	5.825

Source: Malcolm Knapp Associates, New York

Non Food Chains Court Traffic With Household Products

Drug/Discount stores give more space & more features to high tonnage household cleaners & related products

Retail sales in the household cleaning category increased approximately 7% in 1986 to a $9.9 billion dollar category, according to the Charles H. Kline Company in Fairfield, N.J.

Food stores, which account for approximately 70% to 75% of total household cleaning product sales, generated moderate sales growth of about 3% to 4%.

The more dramatic growth in the category came from increased promotional and everyday sales in nonfood outlets such as drug stores, discount stores and membership wholesale club outlets.

Many nonfood retailers report that their sales of household cleaners were up between 10% and 12% in 1986, and some chains like Wal-Mart, Walgreen's, Eckerd, Gold Circle, etc., generated even stronger growth, according to buyers and store managers.

Household products: "viable growth opportunity"

Dave Peterson, Exec VP of Merchandising for Perry Drug stores, describes the household chemicals and laundry detergent category as a "very viable growth category with the potential to do even better for us."

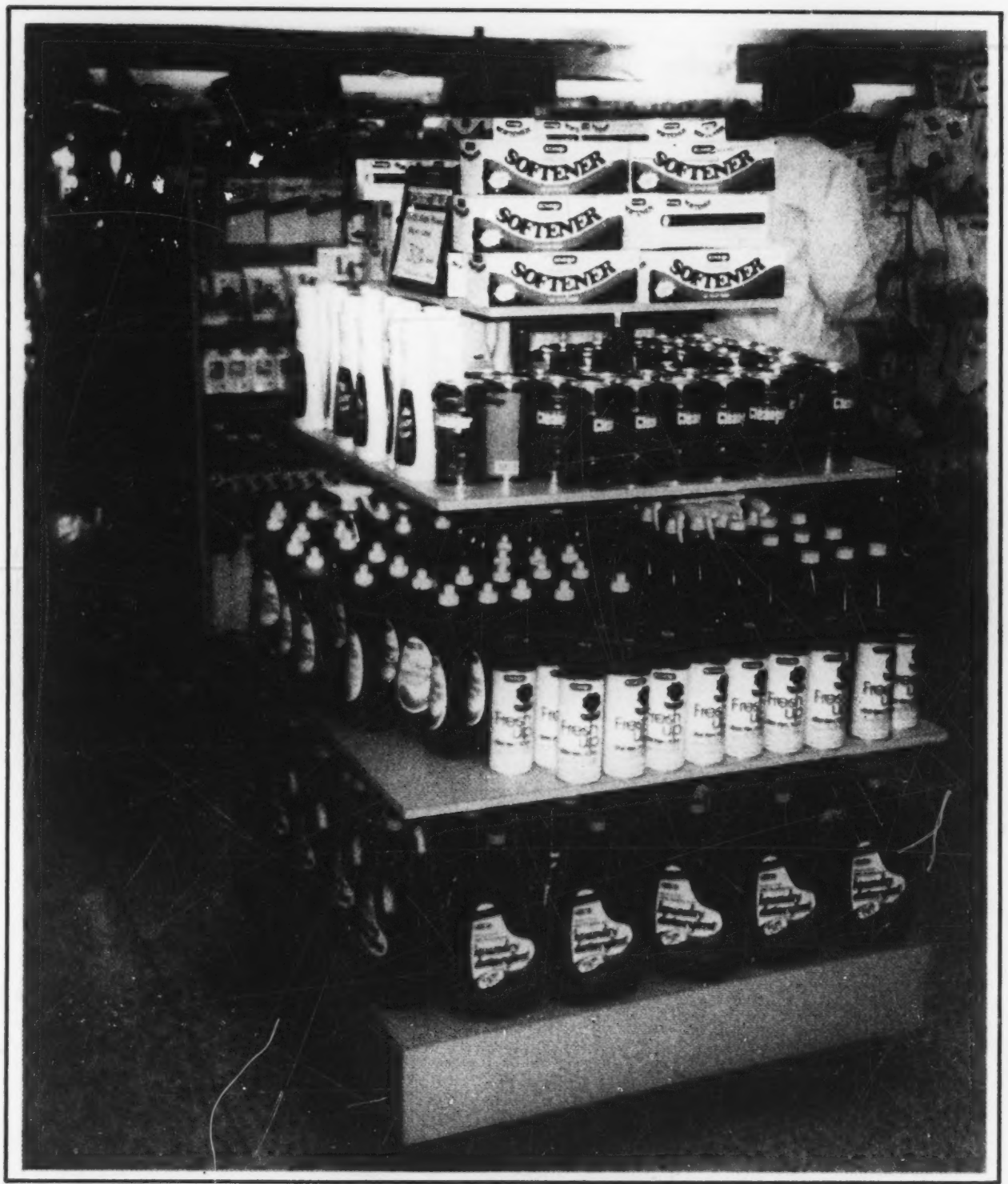
Like many drug chains, Perry is considering giving the category expanded space.

"We often use household chemicals as a draw or a traffic builder," says Peterson, "and it's always easier to promote from within an expanded basic department.

"We often promote chemicals and detergents in our flyers," says People's VP of Advertising Joe Pollard. "They're a big drawing item and they're reasonably profitable."

Discount Stores pioneered the household products segment

Most drug retailers will admit that they are following in the footsteps of the mass merchandise chains like Wal-Mart, K mart, Target and Gold Circle, etc., who began increasing their promotional and everyday emphasis on chemicals and household products in the late 70's and early 80's.



Drug and discount stores are promoting and displaying household products much more frequently today. Buyers say their customers consider such promotions time and money savers.

Growth in Household Cleaner Sales

Years	Dollar Volume (Billions)	% change
1985	$9.3	5.8%
1986	$9.9	6.8

Source: Charles H. Kline & Co.

"They were doing it way before we were," says one drug chain executive for a company based in the Midwest. "At certain times of the year, you can look at a K mart flyer or a Gold Circle flyer and see a whole page devoted to household grocery products, especially the chemicals, detergents, paper products, plastic and aluminum wraps and food storage and trash bags.

"Part of the draw is in the brand names. Consumers will recognize a name like Tide or Bounty or Glad and if you give them a good discount on the everyday price, you can certainly build great traffic.

"But the other important thing

Drug and discount stores are expanding their household product sections. Their main goal: to give consumers more "value."

Plastic Wraps: "An area of opportunity for nonfood chains"

Wal-Mart is currently expanding space for its plastic wraps and food storage bag category.

A manager for the country's second highest volume mass merchandise chain said the category is being expanded because "plastic wraps and food storage bags are selling well for us. But we don't give the category as much space as food stores do, so we think there may be an opportunity here for even greater sales growth."

The manager said the category was currently growing at an estimated rate of about 25% a year and was yielding everyday margins of about 35%, and promotional margins of about 20%.

According to a source for Glad, which is the No. 1 brand in plastic wraps and trash bags, discount stores like Wal-Mart currently generate about 20% of all plastic wrap and storage bag sales while drug stores generate about 10%.

Sales in drug and discount stores, however, are growing twice as fast as sales in food stores, up an estimated 9% in both outlets in 1986 compared to about a 4% increase in food stores.

According to Glad's estimates, the total category increased about 6% in 1986 to around $1.8 billion. Sales in food stores alone were about $1.3 billion in 1986, according to Sami Market Research in New York.

A recent study done by Glad Products also shows that drug and discount stores on average give the category less proportionate space than food stores do.

A spokesman for Glad said the typical food store gives about 40% of its overall plastic wrap and storage bag space to sandwich wraps and food storage bags while drug stores frequently give the category just 29% of their overall space, and discount stores give it 25% of total space.

Both Glad executives and drug and discount store retailers say there is an opportunity for nonfood retailers to increase their sales per square foot in this category if they follow Wal-Mart's lead and expand footage.

Sources for K mart, Eckerd, Gold Circle and several other major chains say they are currently "evaluating" the possible returns on just such an expanded allocation.

The Top Five Highest Dollar Volume Non-Edible Grocery Categories

Product Category	Estimated Dollar Volume in Food Stores (billions)
Heavy Duty Detergents	$3.1
Toilet Tissues	$2.1
Disposable Diapers	$2.0
Paper Towels	$1.4
Plastic Wraps/ Food Storage Bags	$1.3

Source: Manufacturer estimates based on Sami Market Research for 1986

about these nonedible grocery categories is that they're profitable, even on promotion. Even when I'm promoting a brand like Tide or Glad, I'm usually able to take a 20% or better gross margin.

"If I were promoting toothpaste or shampoo, in contrast, I'd be going out close to my cost."

Increased manufacturer competition a boon to shoppers & retailers

A K mart manager in Detroit also points out that in the last few years, the manufacturers of household products, in general, have gotten much more competitive with each other, and that as a result there has been a lot of couponing and rebating in the household products category.

"We can feature a Dracket bowl cleaner or a box of Tide or a Pledge furniture polish at close to full everyday retail and still get the consumer to come in because most of these manufacturers are mailing out rebates and coupons offering significant savings," she says.

This particular K mart manager also noted that "Many of the people who make the mops and brooms and other handle products are offering coupons and rebates with $2 and $3 or more off their regular everyday price.

"This, of course, makes that category very attractive to us."

Space allocations up about 25% in the last two years

In the past two years, retailers and manufacturers say they estimate that everyday space for household products has increased about 25% on average in drug and discount stores while promotional activity has more than doubled.

Top 10 Brands in Food Stores

1.	Tide
2.	Pampers
3.	Scott
4.	Huggies
5.	Charmin
6.	Glad
7.	Luv's
8.	Northern
9.	G.E. Lightbulbs
10.	Bounty

Source: Manufacturer estimates based on 1986 Sami Market Research

A chain like Gold Circle, for example, features an assortment of household products every week in their flyers while chains like Wal-Mart, K mart, Walgreen's, Eckerd etc., almost always have at least two or three household products including cleaners in their weekly ads.

Buyers say the increased promotional emphasis is very logical considering the dollar size of most household product categories.

Sami's Top Five Highest Dollar Volume Categories

According to SAMI's listing of the five top volume categories in food stores in 1986, household products are in four of the top spots. Heavy Duty detergents, for example, generated some $3.1 billion in food store sales in 1986, Sami says, while toilet tissues racked up some $2.1 billion in sales.

Paper towels did another $1.4 billion while plastic wraps and bags generated about $1.3 billion. Taken together, these four household product categories generated about $7.9 billion in total food store dollar sales in 1986, while disposable diapers, the third highest dollar volume category, tossed in another $2 billion a year in sales.

Drug and discount store retailers say that giving more visibility to these tonnage categories helps create a "one stop shopping" environment in their stores.

Retailers say they also don't have to go very wide in their assortment of brands in these categories to draw traffic or generate impulse sales. All they need to do is stock the No. 1 or 2 brands in the segment, and shoppers buy "the brand and the price we feature it at."

Why Cleanser Sales are Growing

According to the Charles H. Kline Company, a marketing analysis and research company based in Fairfield, N.J., the household cleansing products category will continue to show moderate, steady growth throughout 1987.

Kline analysts say retailers will continue to see most of the category's growth coming from the soap and detergent segment of cleaners which currently account for about 51% of all household cleaner sales.

According to Kline analyst Elizabeth Donovan, there are several factors fueling the growth of cleansers including the following.

1. Major acquisitions and divestitures

Donovan says the trend today is toward an industry consolidation with the result that the major cleanser companies are aggressively competing against each other for market share.

2. More brand extensions

Donovan says that manufacturers are more likely today to try to retain their competitive edge by extending their strongest brands rather than by introducing new, untested brands.

P & G, Donovan points out, broke a long standing precedent recently by introducing a "flurry" of extensions to Tide in 1985 and 1986. P & G also has new liquid detergents which use the Cheer and Bold brand names.

3. Heightened consumer demand for convenience.

Donovan says the increasing demand for convenient household product items will "continue to encourage product and packaging innovations."

Some of the more recent examples of this trend are P & G's Multi Action Tide sheets, disposable foam sheets containing premeasured amounts of laundry detergent, all fabric bleach and fabric softeners, and Kiwi's Bloo Duck, a liquid toilet bowl cleaner that comes in a package with a spout shaped like a duck's bill. The spout allows the user to apply the cleaner more directly and more neatly.

4. Liquids will remain fastest growing segment in soaps and detergents

Because of their convenience, Donovan thinks that liquids will continue to be the strongest growing segment in detergents. Liquids, she says, accounted for 30% of all detergent sales in 1986, up from 25% in 1985.

5. Changing consumer demographics and buying habits

Donovan says cleanser manufacturers are "increasingly responding to changes in their consumer base through new approaches in promotion and distribution."

She says Mennen's Baby Magic laundry detergent, which is positioned as a cleaner for baby clothes, is a good example of this trend and so are the new light starches which have been developed for and positioned toward younger, working consumers.

Donovan says retailers can expect to see more such product positions in the future, especially toward such demographic groups as single people, older people, teenagers and men, all of whom, she points out, "account for a growing proportion of shopping dollars."

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Jamesway president Arlie Lazarus will be honored as Discounter of the Year at the SPARC awards banquet this month. (DSN photo)

Jamesway's Lazarus: Excitement Undimmed

By Tony Lisanti

SECAUCUS, N.J. — Hustling from meeting to meeting, office to office, store to store, Arlie Lazarus displays the enthusiasm of a little kid at a baseball game. After 19 years with Jamesway, he still approaches each task with the excitement of opening day and the confidence of a champion.

"It's been a fun business," said the 49-year-old Lazarus smiling. "The people are great. The Jamesway employees mean a lot to me personally, and they have certainly contributed to the growth of the company."

Lazarus certainly has a high esteem for the chain's employees. And rightfully so, as the discounter claims a longevity among key store personnel that is hard to maintain in to-

(Continued on page 10)

$40M Write-Off Strengthens Zayre for Long-Term Growth

By Peter Hisey

FRAMINGHAM, Mass. — Zayre Corp., the 340-store discounter based here, has taken a controversial $40 million write-off in the second fiscal quarter that could make the chain a much more competitive force in the discount marketplace.

News Analysis

"We got rid of a lot of slow-moving merchandise to make room for more attractive products," Zayre Corp. chairman Maurice Segall told *DSN*.

"We are disappointed in the performance of our largest division, the Zayre Stores," Segall said. "Accordingly, we are taking corrective actions and are instituting a series of programs aimed at enhancing our price/value image, improving our merchandise assortments and strengthening operations."

Observers waiting for something to happen since the resignation of Malcolm Sherman as chairman of Zayre Stores weren't disappointed as Segall, who assumed responsibility of day-to-day operations, cut prices on 300 name brand hard lines items.

"We needed to clear slow-moving merchandise and become more competitive on selected brand name items," Segall emphasized.

Segall said that Zayre would reduce prices on "approximately $50 million worth" of slow-moving inventory and has taken "appropriate" permanent price reductions on certain branded merchandise to enhance the chain's "competitive posture."

Segall also announced an increase in television advertising, a reformatting of company circulars and the impending introduction of "several new and exciting marketing programs." The

(Continued on page 90)

Zayre Testing Tire Sales In Shuttered Service Bays

By Richard C. Halverson

FRAMINGHAM, Mass. — Zayre has started to experiment with wholesale tire centers as a way to use the space left empty when it closed its 105 automotive service centers last month on two days notice.

Charge-offs for the closings were an undetermined portion of about $40 million in write-offs that Zayre announced July 16 will result in a loss of $10 million to $15 million in the second quarter ended Aug. 1.

Of the closed service centers, 10 were scheduled at presstime to reopen Aug. 2 as wholesale tire outlets, offering deep discount prices intended to make them competitive with Zayre's own BJ's Wholesale Club outlets. Zayre slashed tire prices about 23 percent from what it was charging, said an employee at one of the automotive centers expected to be converted to wholesale tire sales.

"Prices will beat BJ's," the source said. Zayre will operate on the meet or beat any price basis, he added.

The Zayre tire centers will continue to carry the same

(Continued on page 89)

Considers Rapid Expansion

Hart's Unveils Upscaled Prototype

FAIRFIELD, Ohio — Hart's, the discount department store chain headquartered in Columbus, Ohio, introduced last month in this suburb of Cincinnati a new high-tech-look prototype store, which it expects to incorporate into all 27 of its discount stores during the next few years.

The new look comes at a time when the chain is considering rapid growth through acquisitions and is riding the crest of "another record year and fourth quarter" as its fiscal year ends this month.

David Godfrey, president of the $187 million chain, said that the company is looking at several discount stores, some of which have been closed, in nearby markets.

"The stores [now under consideration] are in good loca-

(Continued on page 26)

Spanish Teleshopping Show to Air

By Arthur Markowitz

HOUSTON — Entertainment Marketing plans to start broadcasting "Telecompras," a daily one-hour Spanish-language teleshopping show this fall in a joint venture with Univision, the nation's largest Spanish TV network.

"Telecompras" will be a condensed edition of the "Consumer Discount Network," a round-the-clock teleshopping show that is a joint venture between Entertainment Marketing and K mart.

"Telecompras" will be aired first as a taped show, with the goal of going live. It could debut as early as next month on Univision's Spanish-language movie network, GalaVision, which runs on about 250 cable TV systems. A start-up date hasn't been set for broadcasts on Univision's affiliated TV stations, 13 full power and 15 low power outlets.

Sales for the new show in its first full year are projected at $100 million by Univision president Jaime Davila.

(Continued on page 89)

Nat'l Hardware Show: The Main Event

Record attendance of 23,000 at the Lawn, Garden & Power Equipment Expo, held July 27 to 29 in Louisville, Ky., shows it has garnered a strong following. However, buyers came away with the impression that it was just a preliminary for the main event in Chicago, Aug. 9, the National Hardware Show. A show preview begins on page 47.

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MARKETWATCH

EM Withdraws $8 Bid for Crazy Eddie

HOUSTON — Entertainment Marketing withdrew its $8 per share bid for Crazy Eddie and said it will wage a proxy fight if Eddie Antar and his group do not proceed with their $7 per share offer. Elias Zinn, EM's chairman, said he will consider making a lower bid for the chain if information he has been requesting is obtained. Crazy Eddie has agreed to supply EM with a list of shareholders. "We are still very interested in the company but not interested in the $8 bid anymore," Zinn said. EM recently increased its investment in Crazy Eddie and currently owns 1.7 million shares or 5.3 percent of the 31 million shares outstanding. The stock was selling at about $5.50 in late July.

Buyer's Club Enters 'Warehouse Valley'

LOS ANGELES — Denver-based Buyer's Club entered Southern California's "warehouse valley" last month with a membership club in San Bernardino and plans a second club in Pomona later this year. Both are in the San Gabriel Valley, east of L.A., which contains membership warehousers such as PACE, Price Club, Price Savers, Costco, HomeClub and All American SportsClub. Buyer's Club was spun off last year as a separate company from Union Hall, the two-unit discounter in Rockford, Ill.

Target Opens 1st Reformatted Gemcos

MINNEAPOLIS — Target opened its first wave of reformatted Gemco stores in late July, as the discounter's plans remained on schedule for the reopening of all 50 former Gemcos by December. This group of former Gemcos comprised 13 of 19 stores Target opened that month.

Wal-Mart Expands into Arizona Market

BENTONVILLE, Ark. — Wal-Mart will expand into Arizona with four stores in 1988. The chain has picked secondary cities for its market entry, with sites in Flagstaff, Casa Grande, Show Low and Thatcher. The Flagstaff unit will be 81,000 square feet; the others 66,000 square feet.

Quick Response Session at SCAN-TECH

PITTSBURGH — Quick Response will be the topic of a retail-focus session at next month's SCAN-TECH show and seminar on identification technologies. The session, "Quick Response-The Retailer/Vendor Connection," will be held Thursday, Oct. 15 from 8 a.m. to 10 a.m. at Bartle Hall, Kansas City. SCAN-TECH, which will feature 32 sessions, runs Oct. 13 to 15, with seminars starting Oct. 12. Participating in the Quick Response session will be David Carlson, corporate vp, K mart; R. Vincent Conant, chairman, Carter Hawley Hale; and Randall Nord, vp, Kurt Salmon Associates. They will discuss how bar coding can help retailers better control inventory, finance and production levels, as well as speed up response time with vendors. Information on this session and SCAN-TECH is available from AIM, 1326 Freeport Rd., Pittsburgh, Pa. 15238. Phone: (412) 963-8588.

Sizes Unlimited to Exit Off-Price Biz

By Kenneth M. Chanko

COLUMBUS, Ohio — The Limited Inc., based here, will be abandoning the off-price business in the large-size women's market when it merges its Sizes Unlimited division into its Lerner Woman division.

The new division will retain the Lerner Woman name but its headquarters will be based in Sizes Unlimited's offices in Secaucus, N.J. Raphael Benaroya, president and chief executive officer of Sizes Unlimited, will be president.

A spokesman for Sizes Unlimited told *DSN* it was decided that Sizes Unlimited "should upscale its business." He empnasized that the 262-unit chain, with stores averaging 3,500 square feet, has been doing well in the off-price business on a store for store basis. Sales last year totaled $240 million. This reflected the closing of a number of Picadilly stores that Sizes Unlimited acquired. Sizes Unlimited is currently the nation's eighth largest apparel off-pricer.

The spokesman said the merger is officially effective Aug. 2, but that there is no timetable for store level changeover in terms of the Sizes Unlimited signs coming down and the new Lerner Woman signs going up. He added that the Lerner Woman name was kept because of its higher identity in the market.

Lerner Woman, an offshoot of The Limited's Lane Bryant large-size division, was started nine months ago and is operated by Lane Bryant. The 88 stores sell inexpensive but full-price apparel for the large-size woman.

The number of stores of the new division is expected to hit 550 by year-end, with expansion planned in strip malls, where Sizes Unlimited units are located, as well as enclosed malls, where current Lerner Women stores are located.

Instead of having three divisions in the large-size market, The Limited will now have two, Lerner Woman and Lane Bryant. It will reportedly focus on the younger, junior customer, while Lane Bryant will target the more mature, career-oriented customer.

Cataloger Relocates; Searches for VP

ERIE, Pa. — Cataloger Dahlkemper's last month relocated its headquarters to larger quarters in Erie and plans to make a similar move for its Wexford, Pa., showroom later this year.

Besides its relocation activities, Dahlkemper's is continuing to search for a vice president, merchandising, to fill the post left vacant by the death of Robert Schultz, 56, who had been with the company for 17 years.

A well-known figure in the showroom industry, Schultz launched such innovative programs at Dahlkemper's as direct importing and tabloid advertising.

As for its two relocations, the $62.3 million company moved its headquarters to a two-story building at 5120 Peach Street, and is using 25,000 square feet on the second floor for offices and 9,000 square feet in the basement for storage and its sign shop.

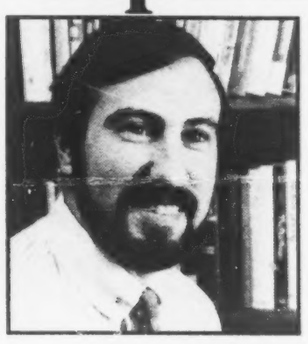
The current 45,000-square-foot Wexford showroom will be relocated to the former 70,000-square-foot Horne Department Store in the Northway Mall. Besides enabling Dahlkemper's to enlarge the size of all the showroom's departments, the new location places the cataloger close to the new Ross Park Mall that opened last November and has become the shopping core of the Wexford market, a company executive said.

The company's phone number has been changed to (814) 864-4054.

DSN Promotes 2 to Top Editing Posts

NEW YORK — *DSN* publisher Fred Filer announced the promotions of Tony Lisanti to editor and Don Longo to executive editor of *Discount Store News*.

Lisanti



Longo

Lisanti joined *DSN* as executive editor in July 1986. Previously, he was with Bill Communications, since 1980; his most recent position was executive editor of *Restaurant Business*. Lisanti holds a B.S. in communications from St. John's University, New York, and also attended New York Institute of Technology.

Longo joined *DSN*'s parent, Lebhar-Friedman, in 1981 as desk editor on *Nation's Restaurant News*. A year later, he became managing editor of *National Home Center News*, and in 1985 was named senior editor. Longo became managing editor of *DSN* in January 1987. He holds a B.A. from C.W. Post Center, Long Island University, New York.

FOR THE RECORD

Best Products' projected store count for the end of this year is 194 units, the same as at the start of 1987, not 101 stores as reported in the top 100 chart, July 20, page 27.

Luskin's is based in Baltimore, Md., not Madison, Wis., as reported on the top 100 chart. It was listed correctly on page 39.

"Shopping Line," "ValueTelevision," "America's Marketplace," "Crazy Eddie's World of Home Entertainment" and "Shopping Club" are teleshopping shows that aired and were eventually canceled, not planned shows that were never broadcast as was implied in the Electronic Retailing column of July 20. "American Catalog Shoppers Network" was a planned show that was never broadcast.

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DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—8/10,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Answers to questions below appear somewhere else in this issue.*

25 Years Ago This Week:

Not Pulling Punches: A retail union official called polygraph tests "communistic, fascistic, or both."

1. What discounter reputedly caused a jump in commercial rents because it attracted so many people to its New York City store?
a) Bradlees;
b) K mart;
c) Korvettes.

20 Years Ago This Week:

Looking for a Few Good Pharmacists: Heck's closed pharmacies in its stores due to a shortage of store pharmacists.

2. Comedian Jack Benny agreed to put his image on the line for what discounter?
a) Zayre;
b) Bradlees;
c) K mart.

10 Years Ago This Week:

Pressure Applied: Levi jeans came under heavy FTC pressure to end its ban on sales to discounters.

3. A study reported 75 percent of Americans believed that "some or most" TV and newspaper advertising is:
a) Seriously misleading;
b) Usually accurate;
c) More entertaining than the editorial content.

5 Years Ago This Week:

And An Hour Later, You're Fashion Hungry: Apparel imports increased nearly 40 percent from April to May.

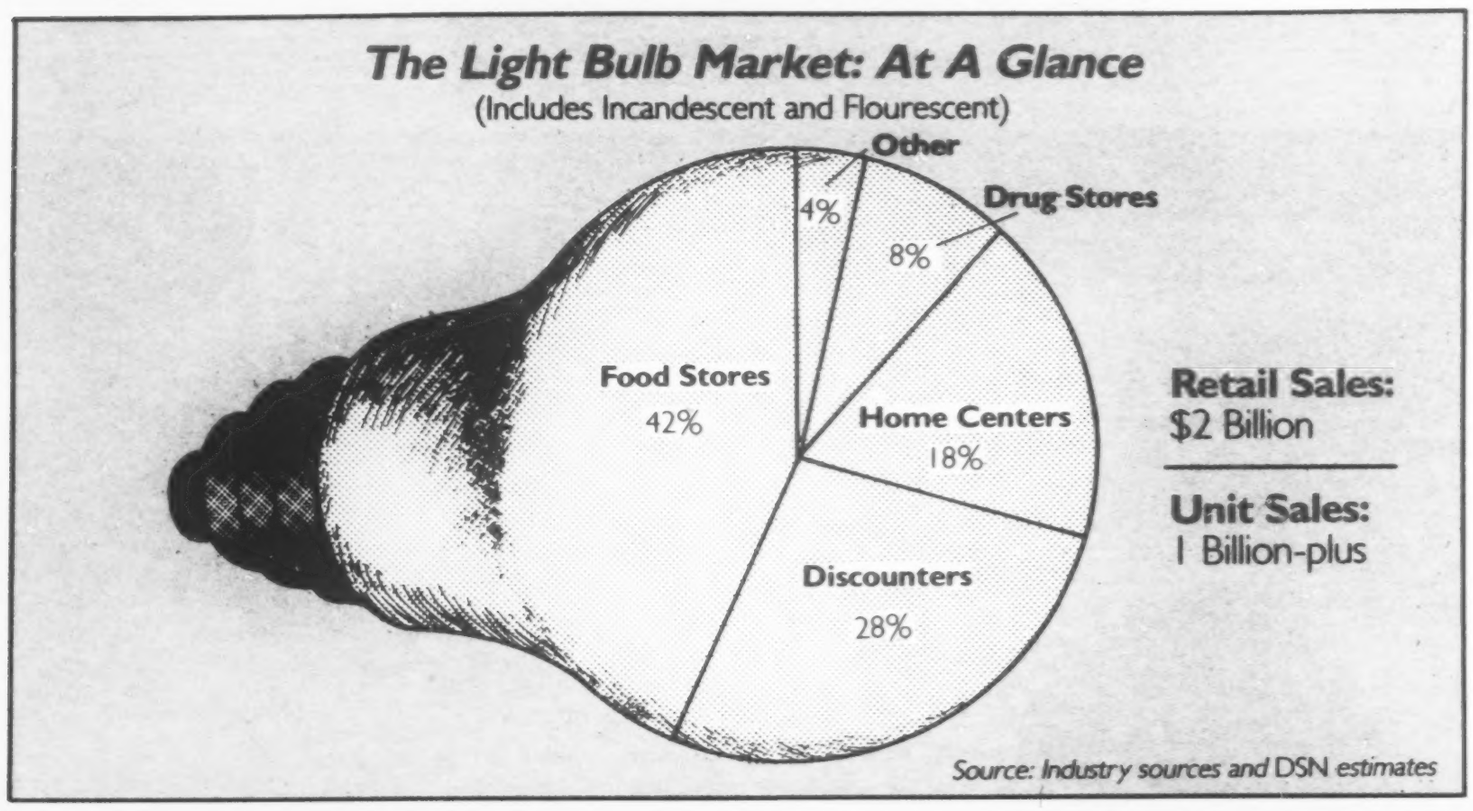
4. What chain entered upstate New York via the purchase of 7 Twin Fair units?
a) Venture;
b) Caldor;
c) Gold Circle.

1 Year Ago This Week:

Separate but Equal: May Department Stores said its Venture and Caldor chains will be run independent of each other, contrary to speculation.

*5. Who said, "I think they're (*National Enquirer *and* The Star*) pornographic because they're insulting to the sensibilities and the intelligence. Nevertheless, our customers love them, so we... leave them in"?*
a) Sam Walton;
b) Malcolm Sherman;
c) Sol Price.

Light Bulb Sales Brighten at Discounters, But Margins Fade



By Laura Liebeck
Nationwide DSN Report

Recently, Caldor was selling General Electric Miser outdoor flood or spot light bulbs for $2.50 each after a $1 mail-in rebate.

The regular price is $5.99 per bulb, according to published ads.

BJ's Wholesale Club was selling a three-pack of GE 150 watt indoor/outdoor Miser flood lights for $9.52, or $3.17 per bulb, a recent in-store visit revealed.

And, S.E. Nichols sells Safe-T bulbs, its import line, for 88 cents for two, said Bob Bloom, merchandise manager.

Retailers are selling a lot of bulbs at these sharply reduced prices, but at the expense of profit. Light bulbs have very nearly become a price-only business at retail for discounters. Margins have dropped so low that they are approaching loss leader status, and retailers and manufacturers are growing nervous.

Last year, light bulb sales to retailers increased a little more than 1 percent to more than 1 billion bulbs, according to several industry sources.

While some experts estimate retail sales growth at about 3 percent nationally, light bulb sales growth was three times that figure for discounters—including membership clubs—last year.

Light bulbs, or lamps, are a $2 billion industry at retail, according to estimates by the National Electrical Manufacturers Association.

Sales through discount and mass merchandise stores rank second only to supermarket chains, taking approximately 28 percent of the market. And that figure is growing, said the association. In fact, bulb sales through these channels are so good, some experts speculate discount stores will eventually "overtake" supermarkets as the primary retail source.

> ***Light bulbs 'sell like bananas: in bunches.'***
>
> —George Glidden, divisional merchandise manager, K mart

In the meantime, competition among all kinds of retailers for a greater share of the light bulb market has forced prices down sharply, making the sales climate almost frantic. This is especially noteworthy since only a few years ago light bulbs were thought of merely as a standard stock item.

Light bulbs "sell like bananas: in bunches," said George Glidden, divisional merchandise manager for K mart, Troy, Mich. He added that the giant discounter will do what is has to in order to "stay competitive" and assure sales.

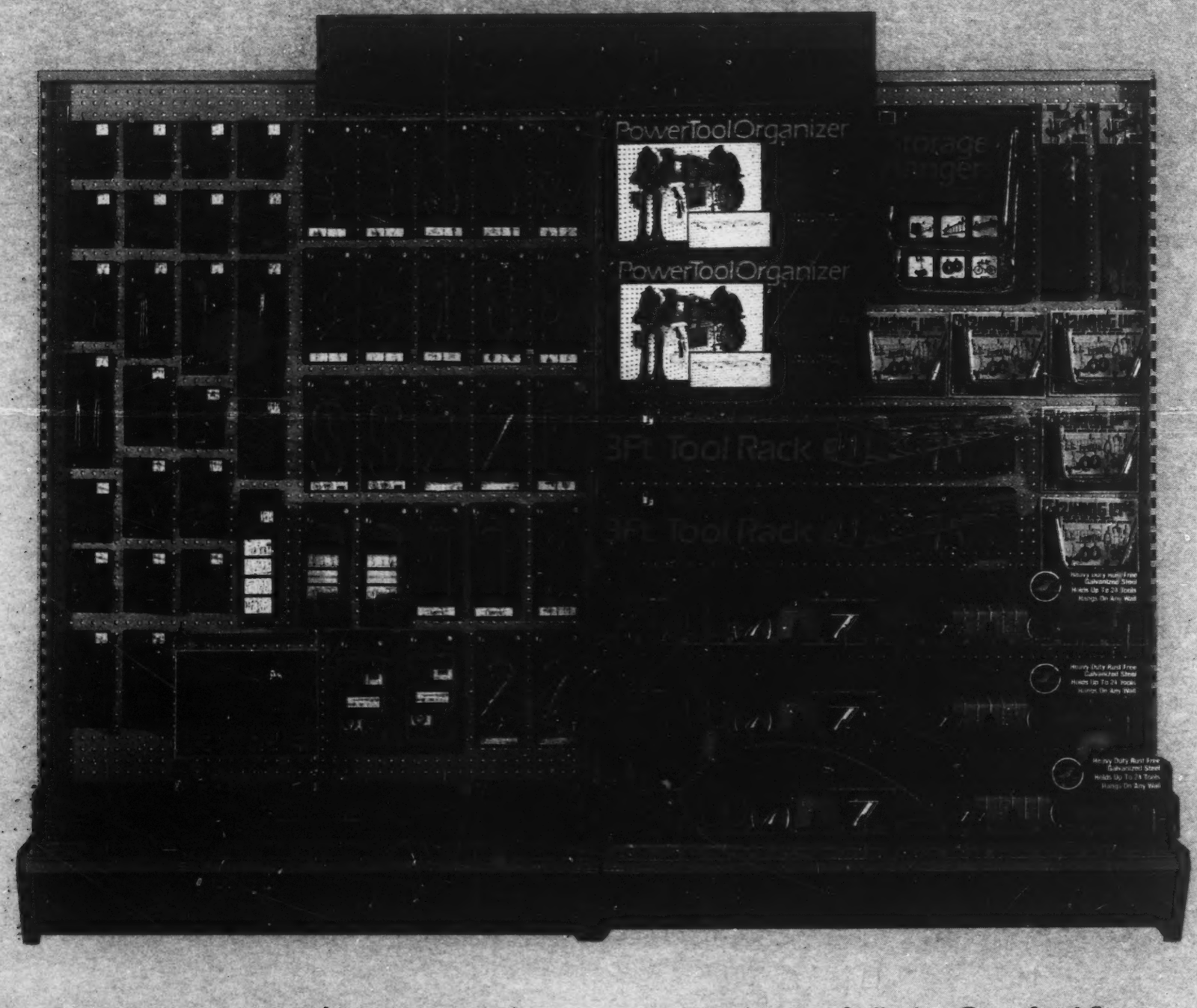
The light bulb category is so competitive that many retailers, including Caldor and Jamesway, refused to discuss the product with *DSN*.

The activity and growth have been fueled by the industry's three largest manufacturers, GE, the undisputed industry giant, North American Philips Lighting and GTE Sylvania. All three have committed themselves to product and program innovation, sharp pricing and aggressive advertising and promotional campaigns intended to build brand name association, drive sales and, hopefully, raise prices.

In addition, the manufacturers are trying to thwart the advances from lower priced imported light bulbs now encroaching on the American marketplace, chiseling away market share and driving down bulb prices.

(Continued on page 52)

A Red Hot Category!
Crawford's Home Storage/Organizer Program



Crawford's Storage/Organizer program will be sure to fire up your DIY sales in this fast-selling category. These hard-hitting products are designed to meet the storage needs of all your customers . . . with the minimum number of SKU's.

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F. PKG. OF 4 SAFE-T™ BULBS $1
G. PKG. OF 2 CHANDELIER BULBS $1
H. PKG. OF 2 VANITY LAMPS, 25 OR 40 WATT 2 FOR $3
J. ASSORTED NIGHT LIGHTS WITH BULBS 2 FOR $3
K. INDOOR/OUTDOOR FLOOD LAMP, 75 OR 150 WATT $3

Light bulbs were lead items in a recent 12-page supplement for Ann & Hope's week-long Dollar Days sale.

Discounters' Bulb Sales Brighten; Price Points, Profit Margins Fade

(Continued from page 50)

Manufacturers have become more aggressive in selling retailers and in communicating with consumers through the media, rebates and cents-off coupons.

Increasingly, retailers are stocking their shelves with product from two or more sources to build traffic and upgrade consumer purchasers.

K mart, a longtime GE outlet, which also sells an imported line of bulbs, has just decided to install the Philips longer-life light bulb program in 40 stores, the largest ones.

Eugene O'Donnell, vice president and general merchandise manager at Canton, Mass.-based Hills Department Stores, said the environment is so competitive that "it's not just GE's business anymore."

Since 1982, light bulb prices have actually eroded, a victim of fierce competition providing "some price points that make us shudder," said the GE spokesman.

For example, a four-pack of 60 watt soft-white light bulbs sold for about $2.99 in 1982 but now sell for $2.29 to $1.92 or even lower on sale, observed Joe Sullivan, marketing manager for GTE Sylvania.

Most Bulbs Sold on Sale

Typically, light bulbs earn discount retailers gross margins of 25 percent to 35 percent. But most light bulbs are not sold at regular price. They are sold on sale where gross margins have eroded to between 10 percent and 15 percent and sometimes less.

At K mart, gross margins for branded sale bulbs range from 5 percent to 10 percent, said Glidden.

New York City-based S.E. Nichols hasn't lowered its margins that much but reports gross margins on its imported line earn the retailer 50 percent even when the price is two bulbs for 88 cents, said Bloom, compared to 10 percent to 15 percent for branded bulbs on sale.

Smitty's, Phoenix, Ariz., keeps margins in line—20 percent to 40 percent—by buying directly from the manufacturer in large quantities and by tying bulbs in with special store promotions like dollar day sales, said Art Barsa, gmm, hard lines.

To bolster and even build sales, manufacturers are attempting to build excitement in the category by offering shrink-wrapped packages of bulbs and intense advertising campaigns.

Shrink-wrapping has been around for several years at wholesale warehouse clubs, but now the packaging is being offered to consumers. All three are offering bulbs this way but Sylvania has added a new twist.

Sylvania is packaging bulbs in varying wattages. For example, this fall it will offer one four-pack of 60 watt soft white bulbs with one four pack of 100 watt bulbs shrink-wrapped together and available in full pallets of 480 sku's and in one-quarter pallets of 40 sku's, said Sullivan. This offer is accompanied with a $2 mail-in rebate through June 1988.

Other variable-wattage packages are coming, he said.

GE has shrink-wrapped three four-packs of soft white bulbs with a $1 mail-in rebate which became available on July 1. And in September GE will debut a four-pack of bulbs with a 20 cents instant coupon.

Philips is concentrating its efforts on promoting its higher-priced longer-life bulb line and in distinguishing itself from its competition, said Jerry Preyss, vp, marketing operations. In fact, Philips' now popular TV ad characters, like the "soup couple", are being incorporated into in-store header displays, said Preyss.

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SUPER FLEX
FLEX MASTER
ALL-SEASONS
TIRE CORD Reinforced

Longer Life and Alkalines Charge Up Discount Battery Market

By Richard C. Halverson
Nationwide DSN Report

The entry of Kodak into the battery market has forced all manufacturers to start looking over their shoulders, but so far the prominent film and camera maker has failed to crack the discount market in a major way.

That is the major development in the consumer battery market over the past year, as these trends solidify:

- A continued push for both longer run and shelf life;
- Alkaline is expected to continue to increase its share of the market at the expense of zinc carbon general purpose and heavy duty batteries;
- Given a nudge from producers of high-drain devices that chew up batteries, rechargeable batteries are coming into their own, growing at a rate of two to three times that of the overall battery market;
- Due to a trend toward smaller devices, such as miniature TV sets, the AAA is the fastest growing size;
- While still a high impulse item, batteries are becoming more of a shopping list item, with the rate of impulse buying declining to about 80 percent from 90 percent of purchases;
- Marketing batteries in multiple packs of sixes and eights continues to gain prominence.

Testing Kodak Batteries

So far, Kodak has failed to crack K mart and Wal-Mart, although K mart is testing Kodak batteries in its photo department. While Kodak has captured 2 percent to 3 percent of the overall retail market, primarily through food and drug outlets, its market share in discount department stores was 0.5 percent according to an A.C. Nielsen market share audit for March and April 1987.

Industry giant Eveready, which Ralston Purina bought last year from Union Carbide, slipped to a 53 percent share of all types of batteries—general purpose, heavy duty and alkaline—sold at discounters from 59 percent according to the Nielsen audit a year earlier.

Duracell picked up a point to 22 percent from 21 percent, Nielsen showed, while Rayovac gained 4 points to 16 percent from 12 percent.

All others, including imports such as Panasonic and private labels, increased to 8 percent from almost 7 percent, Nielsen found.

Industry estimates of annual growth in the retail battery market range from 6 percent to 8 percent, a growth rate expected to hold through 1989.

For 1986, the dollar value of the retail battery market came to $2.1 billion, a Rayovac study concluded.

Larry Morgan, marketing director for Kodak, claims that its entry into the market has prompted the industry to increase advertising by 50 percent and increase coupon efforts by 15 percent.

Mike Plautz, Rayovac marketing director, acknowledged that Kodak "has made the industry more competitive, offering more in-store promotions and rebates." He added, "Kodak is making everybody a little more conscious of promotions."

An Eveready spokesman said his company has increased its advertising budget but refused either to release details or to attribute the increase to new competition from Kodak.

Irwin Levine, sporting goods buyer for S.E. Nichols, New York, said he has seen an increase in consumer rebate programs from Eveready, one of two brands Nichols carries. Duracell is the other. "They're constantly running," he said.

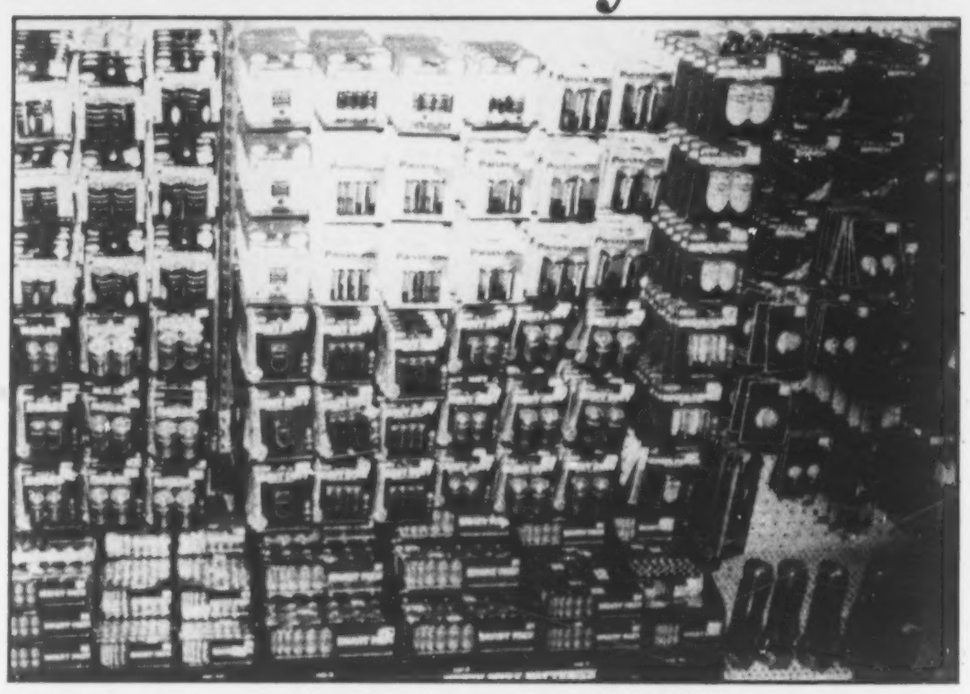
So far, about 6 percent of the nation's 7,000 to 9,000 discount stores carry Kodak batteries. Chains include Hills, FEDCO, Caldor, Rose's Stores, Fred Meyer and Meijer, Morgan said.

In March, Kodak became the first manufacturer to market a popular size lithium battery when it introduced its nine-volt unit. Kodak claims the battery will run twice as long as an alkaline battery and last for 10 years on the shelf, against two for lithium.

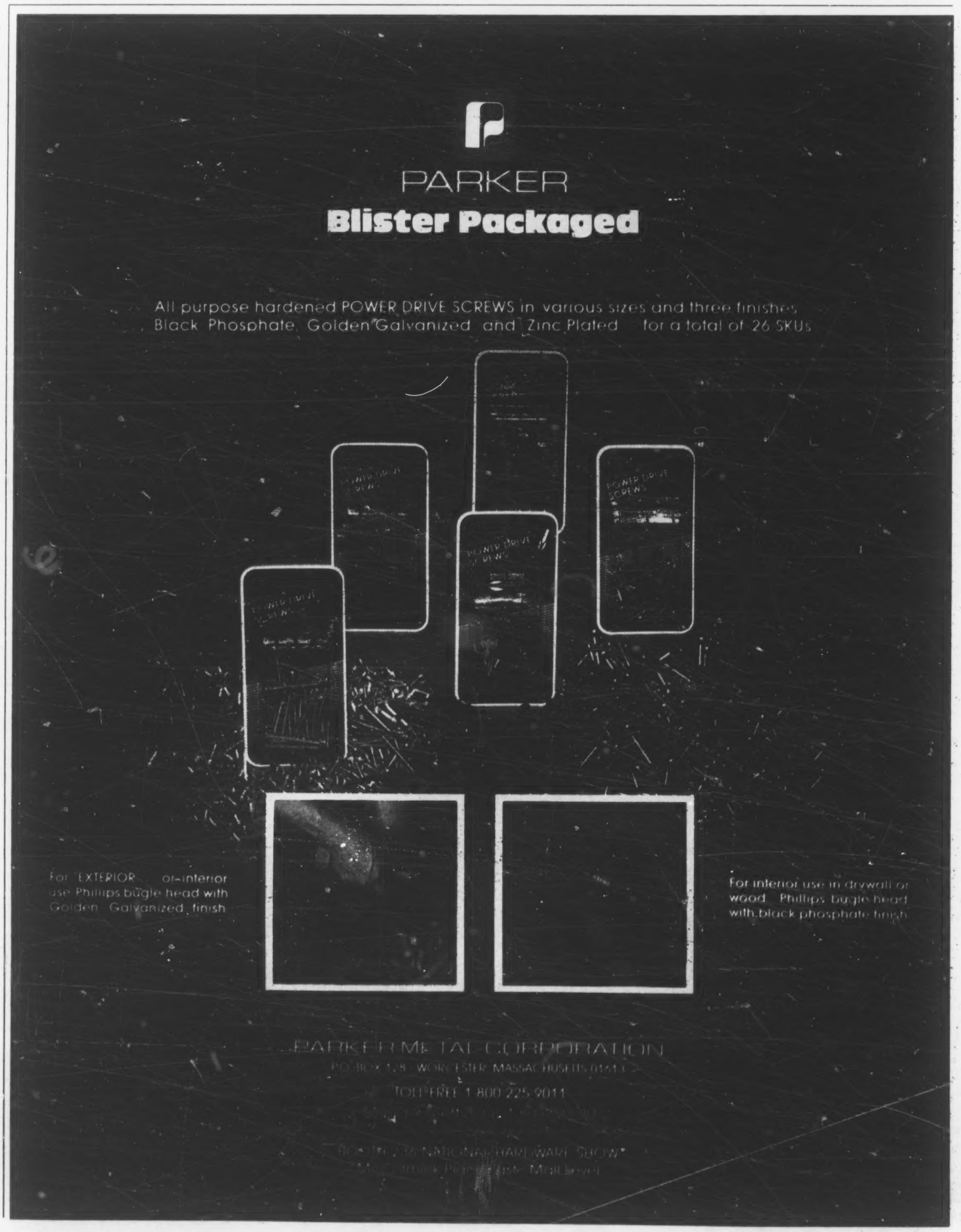
At full retail, a nine-volt lithium retails for about $2.99, compared to $1.79 [at K mart, for example] to $1.99 for alkaline, Morgan said.

Expected applications are for smoke detectors and garage door openers, where long run and shelf lives are particu-

(Continued on page 57)



A display of batteries at a K mart discount department store in Madison, Wis.: Action in the battery wars has shifted to who makes the longest life battery.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Longer Life and Alkalines Charge Up Discount Battery Market

(Continued from page 55)
larly important, Morgan said.

A new premium flashlight from Black & Decker, called Lite Years, comes equipped with the Kodak lithium battery. A one-cell battery retails at discount for about $9.99, while a two-cell light sells at discount for about $14.99, Morgan said.

At Nichols, Levine said his chain is looking at the Kodak program. The nine-volt lithium might sell well for smoke detectors, he said. "People hate to climb up a ladder every year to change batteries." To avoid that, they might be willing to spend $1.29 extra for a longer-life battery, he said. Nichols rejected the Black & Decker lithium-powered flashlight as too expensive.

George Kiel, a K mart battery buyer in sporting goods, said his chain considered the B & D lights but also rejected them for now because of the high prices. But he said K mart almost would have to carry the Kodak lithium batteries, if it took on the Lite Years flashlight, because, "customers want to replace with the same batteries." Moreover, Kodak alkalines in the C, D, AA and AAA sizes could well ride into K mart on the back of lithium, Kiel said.

The Future of Alkaline

Kiel predicted that alkaline, which now commands a 60 percent share of the market, will become the general purpose battery of tomorrow because of the drive for longer life. Some other type of battery, perhaps lithium, will take over the longer-life, premium position that alkaline now occupies, he said.

"Whether lithium is the answer remains to be determined," Kiel said.

Eveready is introducing in August and September its version of the longer-life alkaline, Levine said. It will come in a new display card that claims it lasts 20 percent longer. Nichols will phase in the new Energizer alkaline as old stocks become exhausted. The longer-life version will be priced the same, he said.

Another new Eveready program, the Gift Mate, will carry a 20 cents premium for a pair of D batteries but no extra margin for discounters because its cost to them will be higher, said the Eveready spokesman. In gift two-packs, the batteries feature on their jackets one of eight gift motifs, such as white snow flakes on a green background for the Christmas season.

Levine said Nichols won't pick up on the Gift Mate line until closer to the Christmas season.

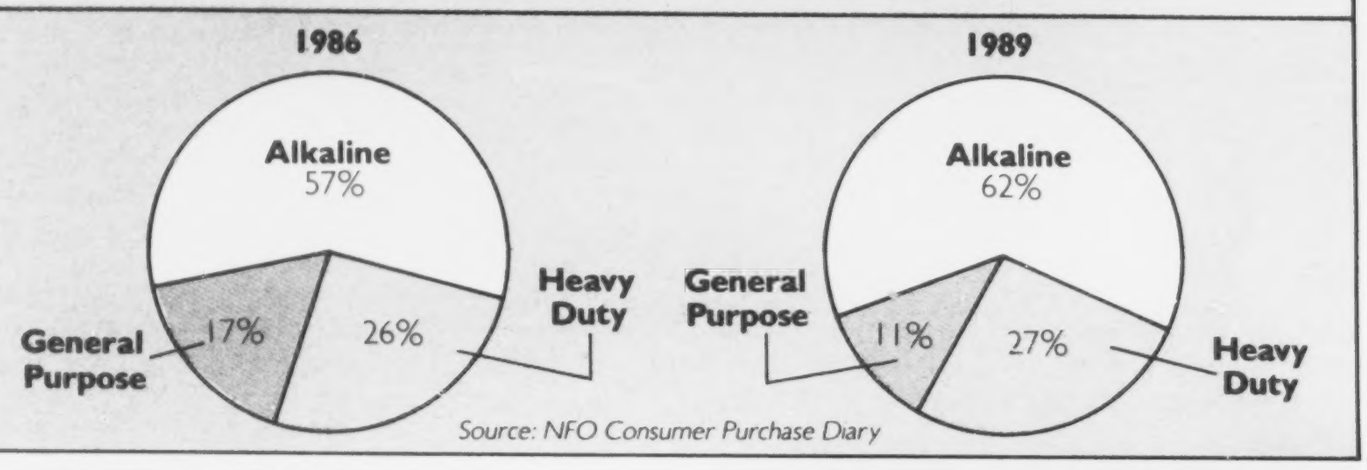
Following the lead of Rayovac, Kodak also is coming out with multi-packs, sixes and eights, Levine said.

For the first time, Eveready came out this summer with a multi-pack program that offered an eight-pack of D cells for the usual price of six, and a six-pack of AA batteries for the usual price of four. Based on initial success, Eveready plans to repeat what it calls the Bonus Pack program this fall.

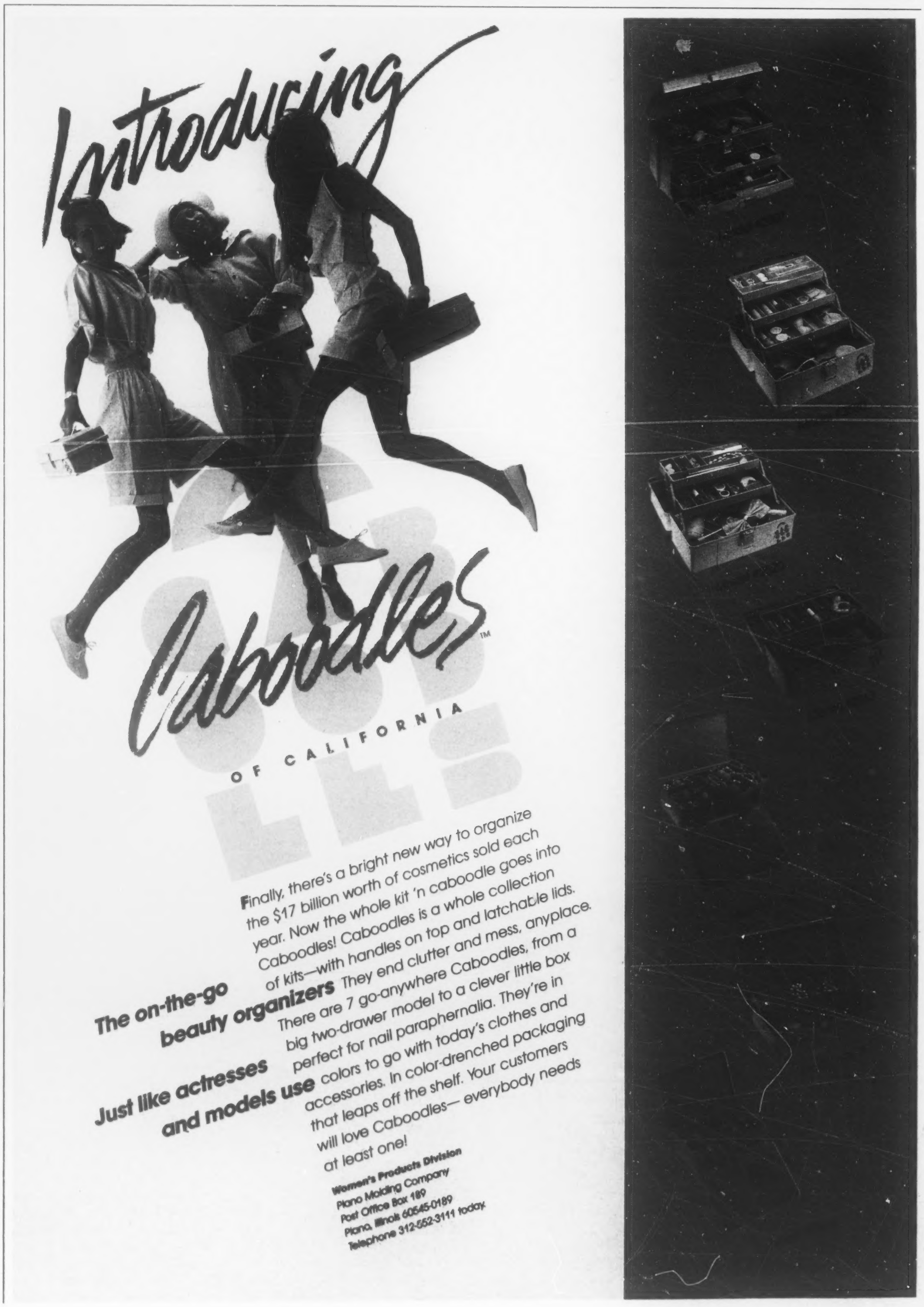
In a trend that runs counter to the push for longer life, rechargeable batteries are showing signs of vigor. From a small sales base of $150 million a year, rechargeables are growing at an annual rate that ranges from 15 percent to 30 percent, depending on manufacturer estimates.

Kiel said K mart is testing nickel cadmium Panasonic rechargeables, adding to its General Electric line.

The 1986-1989 Battery Retail Market by Grade



Source: NFO Consumer Purchase Diary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New Membership Club Throws Hat into Sporting Goods Ring

FORT LAUDERDALE, Fla. — Sports Authority, a new membership warehouse operation created by former Herman's officer Jack Smith, plans to open its first unit early this fall. The 40,000-square-foot facility, which will adjoin other warehouse-type operations like Home Depot, Office Depot and Builders Square on Route 441 in Fort Lauderdale, will specialize in a full range of sporting goods products and charge the general public $10 for membership privileges.

Smith, formerly executive vice president and chief operating officer of Herman's, the industry leader, left the company two months ago. He has already assembled his management group, which includes general merchandise manager Roy Cohen, formerly of toy retailer Child World; chief financial officer Chet Howard, formerly of Atlanta-based home improvement warehouse Home Depot; operations executive Dick Carter, from Zayre's home center warehouse HomeClub; and Alan Rose, from the defunct Service Merchandise warehouse chain Mr. HOW.

Smith said that Sports Authority is modeled on Price Club, the San Diego-based pioneer of the membership warehouse club concept. He said that Sports Authority will differentiate itself from other large sporting goods retailers by not carrying ski equipment and by concentrating heavily on bicycle and marine equipment. "We're planning to expand in the Sunbelt market," Smith said, "so we're going to stay away from winter-related categories."

Although the operation may someday look to the Northeast and West Coast, Smith has no plans to alter his product mix. "We're cutting the mold here, and future additions will come right out of the cookie cutter," he said, adding that the company is "not reinventing the wheel here," and plans to stick close to its original business plan.

Sports Authority plans to open "three to four" additional units over the next year or so, but Smith cautioned that "nothing is cemented yet." All expansion in the near future will be in the Southeast, which Smith said is open for "lots of growth. We plan to saturate our own market before we start looking elsewhere."

Soft goods will account for roughly 50 percent of Sports Authority's product mix, although, since the first unit hasn't even opened yet, that figure is approximate and could be subject to change. Customers, according to Smith, will come from the large group of Americans who "have $10 in their pocket and are still breathing."

Financing for the venture is being provided by a "large" group of investors, including First Chicago and Bessemer Securities. The first store opening is projected for the first week in October, dependent upon construction scheduling.

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Top Chains Battle for Dominance; Newcomer Clubs Present Challenge

Nationwide DSN Report

The battle for positioning and market dominance within the sporting goods industry has been heating up since last year, and latest developments suggest that the battle has just begun. The two largest chains, Herman's and Thrifty's various sports stores, have been devouring smaller regional operators—and seem to be looking for more.

At the same time, two relative newcomers, California's All-American SportsClub and Fort Lauderdale-based Sports Authority (see stories on this page), are high-volume power-retail concepts conceived with rapid growth as a key to success. Look for both to attempt to saturate their primary market areas, then go national.

They'll face tough competition from the major established forces in the market, Herman's and Thrifty Corp., both of whom have expanded rapidly over the past year.

Herman's, the industry leader with $630 million in 1986 sales, has added some 100 stores to its total in just over a year, 40 by acquisition of Utah-based Sunset Sports.

Thrifty, owner of Big 5 Sports Store of California, purchased Michigan (MC) Sporting Goods, (Niles, Mich.) and Gart Bros. (Denver, Colo.) over the last year, absorbing a total of 31 stores and $200 million in 1986 sales.

Each of those subsidiaries has expanded significantly since the acquistion, and each has in turn acquired other regional chains. MC recently bought three Chicago-area stores from Morrie Mages Sporting Goods and announced plans to build two more (of a scheduled 15 through 1988) in the Chicago suburbs of Lombard and Orland Park.

In late July, Gart Brothers purchased Stevens/Brown Sporting Goods, a two-store operation in Salt Lake City. Gart Bros. will retain the Stevens/Brown name for those units and announced plans to add stores under the Gart Brothers name in the same market sometime this year.

Oshman's, No. 2 in store count, recorded near flat totals for the year as its Oil Patch home base struggled through a recession.

George Walker, a spokesman for Herman's, made no secret of the fact that the company plans to become the first

(Continued on page 60)

To get in on the hottest new growth category, call 1-800-331-6060 ext.138.

SCHLAGE.

Warehouse Trailblazer Returns

Farrah Named Sportsclub President

(Continued from page 4)

industry. Sporting goods is far more upbeat and entertaining than the home center business."

In the short term, Farrah plans to fine tune SportsClub operations, to "clean up some areas." The company will alter its method of attracting customers, cutting back on mass media advertising to concentrate on direct marketing to schools, clubs, youth groups and recreational clubs.

The company plans to add three more units this year, then five more over the first half of 1988, for a total of 14. "We've identified 29 California locations we'd like to occupy before we move out of the state," Farrah said, adding that the first out-of-state opening will probably occur sometime in fiscal 1990. Arizona, particularly Phoenix and Scottsdale, may be the first market in a gradual Sunbelt expansion.

Farrah said that SportsClub has instituted a strong training program to generate the management staff it expects to need over the next few years. The company recruits managers from other warehouse operations, not sporting goods stores. "We're looking for people who have done a big job," Farrah said, noting that present store managers have come from Price Club, Home Depot and HomeClub. "After all, we project our stores to do between $12.4 million and $15 million; we need people who know how to deal with that kind of volume."

The company is "just finishing" a $20 million private financial placement, which Farrah said will keep the company expanding through the end of next year. "Then we're thinking about the possibility of going public," he said.

Farrah expects a little more conservative approach to growth, with a general refining and enhancement of product mix and departments—with the exception of apparel, with which Farrah said he's "relatively happy.

"Bob Casden joined us from Mervyn's recently, and we're very happy with the job he's doing," Farrah said.

Farrah answered questions about the increasingly competitive situation in large-scale sporting goods retailing (see story on this page) by comparing the operation to his experience with Home Depot.

"When we were about to open our first [home center] stores in Atlanta, we added up the total home center business in the market and asked how much of this will we have to take over to make a profit," he said. "We quickly realized that we couldn't make it even if we took three quarters of the market. We had to create new business.

"That's our approach at SportsClub," he continued. "We're not just a big Oshman's—we sell a whole package. We hold clinics to teach people about our products, and we're in the travel business, the camera business and in a lot of related areas."

Farrah illustrated his "small segment, big business" theory with the story of a golf club from Sacramento that arranged a trip to Mexico through SportsClub. "One day all 40 of them came in and bought everything from shoes to clubs to umbrellas. The result was a very large sale when we added it all up."

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SYLVANIA GTE

Newcomer Clubs Challenge Top Chains' Fight for Dominance

(Continued from page 58)
truly national presence in the sporting goods industry.

The national placement is particularly important in sporting goods not only because of increased buying power (Herman's probably has as much clout as it can usefully employ) and competitive advantage (which it already enjoys) but for a degree of weatherproofing.

A widespread store base will protect the company against the vicissitudes of the weather; a disastrously dry winter in the Northeast, for instance, can be offset by a good one in the Rockies.

Ed Tirello Jr., an analyst with Shearson Lehman, noted that Thrifty, while not truly national yet, is following the same strategy—successfully.

"Going national seems to be the key," he said, "and Thrifty has what the competition doesn't—cash flow." He added that it's a lot cheaper to expand by acquisition than by building from scratch, leaving the prospect of more Thrifty buyouts a likely proposition. Evidently, the company plans to buy up small local chain operations in or adjacent to markets it can easily control from one of its subsidiaries—and to acquire through its subsidiaries to keep its national profile low.

Sportmart has pioneered the warehouse format in the sporting goods industry. While not at the level of a Sam's or Price Club, Sportmart (average store size 35,000 square feet, average store sales around $10 million) is credited with adapting the concept to sporting goods retailing. All-American Sports-Club and Sports Authority will expand that concept over the next few years.

However, no concept, no matter how good, can sell much without products to sell, and there are several problems facing sporting goods retailers. Not the least of those is pending protectionist legislation intended to cut back on America's balance of trade deficit by restricting imports from debit-inspiring trade partners like Japan and most other Oriental countries.

The result could be a rapid escalation of price in several key sporting goods areas, including camping equipment, bicycles, athletic footwear and apparel.

Part of the attraction of the sporting goods market is the public's perception of value. Sales skyrocketed in the late '70s and early '80s because, in part, prices either plummeted or held very steady during a period of high inflation. The result is that a tent that may have retailed for $79 in 1975 dollars may cost as little as $30 in inflated 1987 dollars, a clear bargain.

The proposed legislation could wipe out much of that advantage by forcing less expensive products out of the market. Given a choice, exporters like Japan will choose high-price, low-cost items like electronics and computer goods over more labor-intensive goods like tents to fill their quotas.

Jeff Grey, a Sportmart executive, sees the resulting localized inflation as threatening to the industry. "A three-person tent at $29 might be selling for $39 or $49 by next year," a worried Grey said.

The industry also must deal with flat sales brought on by the lack of any new hot category. Specifically, exercise equipment, previously the growth darling of the industry, has flattened and nothing has stepped in to take its place. Herman's Walker noted that "the whole industry is waiting" for a new market direction, but none has appeared.

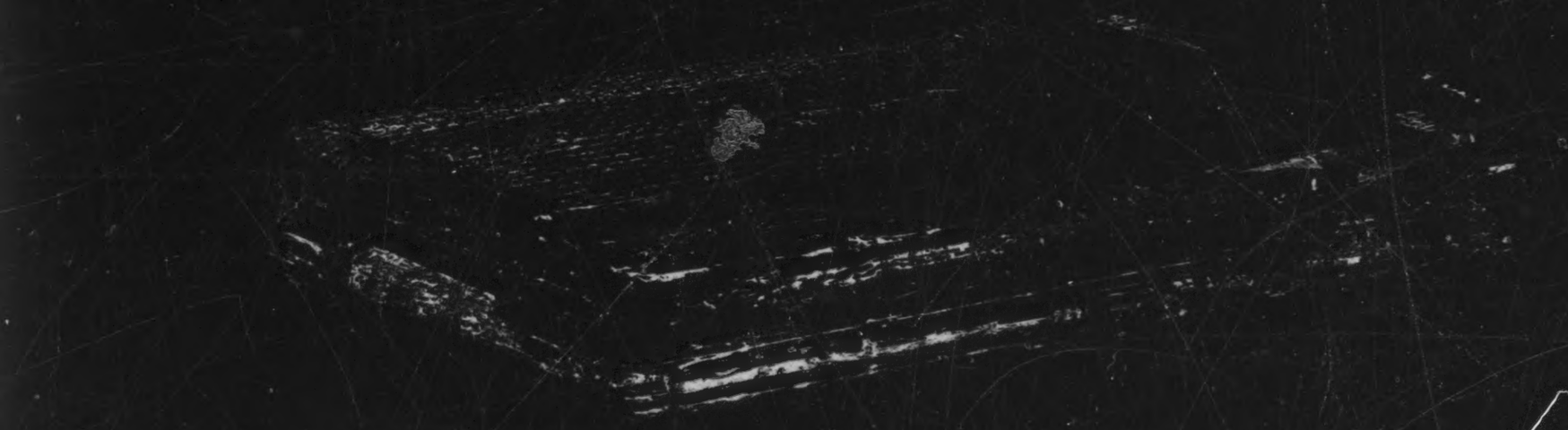
Top Sporting Goods Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)
Herman's (N.J.)	$630	$420	50%	208	131	10,000
Oshman's (Tex.)	323	312	9	214	209	10,000
Big 5 (Calif.)	190	175	10	94	89	NA
Sportmart (Ill.)	141	129	10	15	12	35,000
Sunset Sports (Utah)	120	116	3	38	40	10,000
Dave Cook (Colo.)	64	62	3	17	17	NA
Gart Bros. (Colo.)	60	54	10	16	15	20,000
Michigan Sporting Goods (Mich.)	45	42	7	24	16	NA
Academy (Tex.)	39	37	5	20	20	NA
Irving Sports (Va.)	18	17	5	18	18	NA

Sunset was acquired by Herman's in August 1986.
Thrifty Corp. owns Big 5, Gart Bros. and Michigan Sporting Goods (total 134 stores).
NA—not available

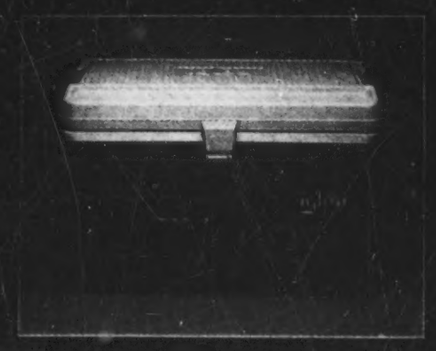
Source: DSN research

Igloo... the best choice



Over the years retailers have recognized there is something special about selling Igloo ice chests. Sure, Igloo is America's leading brand of ice chest. And, of course, the Igloo 48-quart "Plus 4" holds the cold up to 37 longer than the competition.

But, the real benefit of selling an Igloo is knowing that every time consumers purchase Igloo they've made the best choice.



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K mart president Joseph Antonini congratulates Martha Stewart on becoming K mart's home fashion consultant.

Looks to Mirror Apparel Success

K mart Puts 'Power' Behind Home Fashions

By Arthur Markowitz

TROY, Mich. — K mart aims to develop its over $1.5 billion Home Fashion division into a "power department," using marketing strategies similar to that which helped to successfully transform its apparel operation.

Sparking this effort, the discounter has signed Martha Stewart, author of five food and entertainment books and a syndicated column, to a five-year contract as the spokeswoman and consultant for its new Home Fashion division. Home Fashion, division III in K mart's restructured mer-

(Continued on page 61)

ShopKo Secures Beachhead For Pacific Northwest Assault

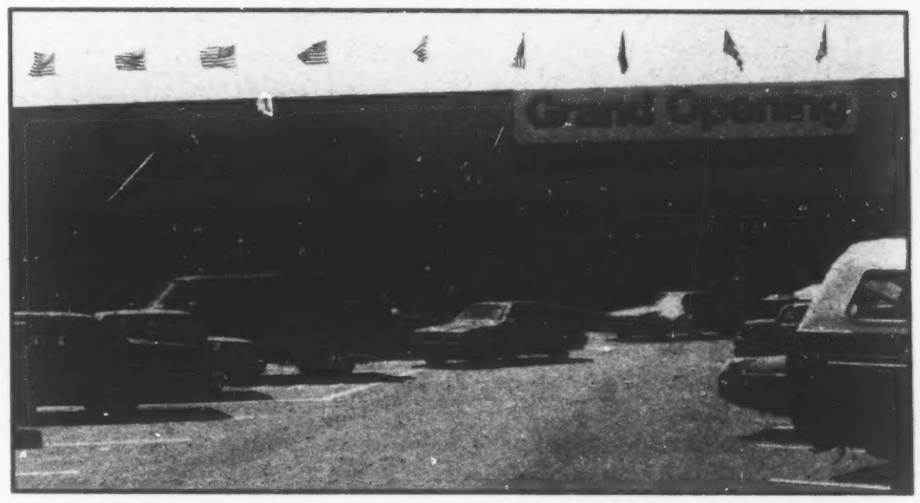
By Pamela Krein

SPOKANE, Wash. — ShopKo Stores' assault on the Spokane market has set the stage for skirmishes between the 69-store Green Bay, Wis.-based discounter and Fred Meyer, the Pacific Northwest's dominant retailer.

The two retailers already butt heads in three cities in Idaho, but the entrance by ShopKo into this eastern Washington city places ShopKo squarely in the heartland of a region traditionally dominated by 94-store Portland, Ore.-based Fred Meyer.

ShopKo entered the market last month with two stores—one in the east valley and one in the northern section of town. Both stores are located within a mile of Fred Meyer's two area entrants.

In this market of 354,300, ShopKo also faces two K mart stores and one Costco membership warehouse. And, discounter competition here is expected to heat up even further when Target Stores opens the first of its two to three planned stores here by 1989 or 1990. (Target is launching an aggressive retail movement into the Pacific Northwest which will start next year, primarily in Seattle. (See *DSN*, May 11, pg. 1).



ShopKo opened its first store in the Pacific Northwest last month, bringing the 69-unit discounter into head-to-head battle with the region's dominant discount chain, Fred Meyer. (DSN photo)

ShopKo's two Spokane stores are 91,000 square feet and 94,000 square feet, and currently both are freestanding. However, one of the stores represents the first outlet in what is a planned future mall development, according to the real state firm handling ShopKo's site acquisitions in Washington and sev-

(Continued on page 61)

CVN's Success Prompts C.O.M.B's Emergence as Diverse Direct Seller

MINNEAPOLIS — C.O.M.B. will absorb its partly-owned subsidiary Cable Value Network next week to form a new type of merchant, an integrated direct marketer using a host of channels to sell merchandise.

The renamed CVN Companies, Inc. will have the teleshopping Cable Value Network as its retailing backbone, supported by closeouter C.O.M.B.'s traditional direct mail and retail store operations, along with such new ventures as two recently acquired wholesale telemarketers of consumer electronics to mom-and-pop stores.

The new CVN Cos. will be formed next week following C.O.M.B.'s annual meeting at which shareholders are expected to approve a series of proposals that will:

- Merge the old CVN into C.O.M.B., with the new company assuming all the teleshopper's assets, liabilities and obligations.
- Increase the float to 90 million shares so the company can issue warrants to buy stock in CVN Cos. to 16 multi-system cable TV operators (MSOs).

As part of the deal, these 16 cable operators agreed to car-

(Continued on page 61)

Stuarts, Nashua, N.H.: Despite upgraded fixtures and merchandise, promotional image remains intact. (DSN photo)

Stuarts Overhauls Image; Upgrades Apparel Mix

By Mary Ellen Kelly

HOPKINTON, Mass. — Stuarts Department Stores unveiled this month a new prototype in line with the industry trend toward larger, more prominent apparel sections offering branded goods. The move is aimed at upgrading Stuarts' fashion image without abandoning its price-oriented customer base. The prototype features an upgraded merchandise mix and decor, altered adjacencies and new departments in both hard and soft lines.

(Continued on page 61)

Management Buyout of Chief Auto Looms

By Richard C. Halverson

DALLAS — Would be buyers of Chief Auto have kept phones "ringing off the hooks" at its headquarters here.

News Analysis

They may never get a chance to bid for the 465-store chain, however. Speculation is mounting that the present management, led by general manager Michael Manor, is attempting to line up financing for a leveraged buyout within a leveraged buyout.

Last month, Southland Corp., Chief's parent, announced that the founding family of the 7-Eleven convenience store chain, the Thompson family, is taking the corporation private in an LBO valued at $5.1 billion. To help pay the enormous debt, the family announced that it will sell various assets, including the auto store chain that operates primarily in Texas and Southern California.

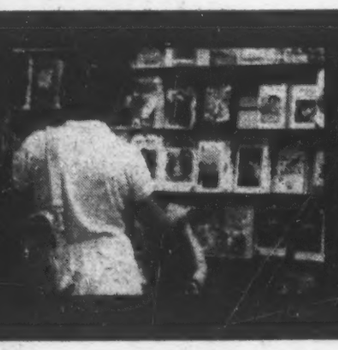
The Wall Street Journal estimated that Chief Auto might garner $200 million.

Bill Wooten, the previous Chief Auto general manager, who now works in the food brokerage business in Los Angeles, confirmed that he had attempted to arrange an LBO of Chief Auto a year ago with the Thompson family.

(Continued on page 39)

Off-Price Census

Video Chain Exploits Videotape Explosion



Western Auto Transforms Into Powerhouse Chain

MARKETWATCH

Antar Withdraws Crazy Eddie Bid

EDISON, N.J. — Eddie Antar and First City Capital Corp. withdrew on Aug. 12 their proposal to buy Crazy Eddie at $7 per share. Antar and First City attributed the withdrawal, in part, to discussions with potential lenders. They said they are "prepared to work with the company toward a mutually acceptable transaction."

TEMPO TV Focuses on 45-Plus Market

TULSA — The 45-year-old and over consumer market will soon have its own cable TV network. TEMPO TV, which was launched eight years ago as a special interest cable TV network, is changing its programming to focus on the 45-plus market. This market is expected to grow from 72 million people to over 105 million within the next 15 years, representing one of the fastest growing demographic groups in the nation. TEMPO, which currently reaches about 12.5 million households, had offered a number of teleshopping shows earlier this year but found little interest among cable TV operators for this programming.

Pay'n Save Acquires GO Guy Drug Stores

SEATTLE — Pay'n Save, parent of discounter Bi-Mart, plans to acquire the six-store GO Guy Drug Store division of the 65-unit Bonanza Stores variety chain. Pay'n Save, which operates 100 drugstores and super drugstores, plans to run the acquired GO Guys as part of its new Pay'n Save Limited concept of smaller drugstores targeted for areas that can't support its larger units.

Zellers Adds Fifth Distribution Center

MONTREAL — Zellers, the 210-store Canadian discount chain, is adding a fifth facility to its distribution network next month to accommodate the heavy flow of merchandise generated by its unique, one-year-old 'Club Z' incentive sales program. The Club is a repeat customer incentive program that has over three million member customers, or roughly 40 percent of Canada's total population. The membership level is already double management's original expectations. The new 411,000-square-foot DC is the discounter's second such facility in Montreal; three others are located in the Greater Toronto area. The discount department store division of Hudson Bay Co. reported a 14 percent sales increase to $1.7 million during 1986. Zellers Group—which includes Zellers and three other retail chains—reported sales of $2.3 billion for the year, compared with $2 billion in 1985, and operating profit of $92 million, up from $68 million.

Ames Denies Buyout Rumor by Wal-Mart

ROCKY HILL, Conn. — Ames Department Stores has denied the latest recurrence of a rumor that discount giant Wal-Mart may buy the Northeastern chain. A company spokesman stated that Ames has never, as the rumor held, asked Wal-Mart to "take a look" at Ames. "The rumor started in the arbitrage community," the spokesman said. He refused to speculate about motives in spreading the report, but Ames stock jumped nearly $2 on trading of over a million shares a day on Aug. 4 to 5 (vs. "normal" trading of 200,000 to 400,000 shares). Chairman Herbert Gilman had replied to similar questions at Ames annual shareholders' meeting this summer, stating that he and Wal-Mart chairman Sam Walton joked about the rumor at an industry convention in May. "He [Walton] asked if we were planning to buy him out," Gilman had said. Ames has posted strong 1987 sales in its bid to come back from a disappointing 1986. For the month ended Aug. 1, Ames reported an increase in sales of 11.8 percent over last year. Sales were up 14.8 percent for the 26 weeks ended on the same date, to $932 million. Stock prices, which reached $28.25 in the wake of the rumor, leveled off at $27.25 by the end of the week after Ames issued its denial. The stock traded at about $26 in the days before the rumor gained currency.

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Dollar General Attacks Shrinkage; Expects Improved Financial Results

SCOTTSVILLE, Ky. — Dollar General expects to improve its third and fourth quarter financial results by attacking the shrinkage problem that has plagued the company during the past year.

An extensive radio campaign employed earlier this year, which merited an award from the International Radio Festival, should also reap sales benefits by year-end, according to a company spokesman. The radio campaign is another factor that lowered earnings during the first half of the year by inflating advertising expenses by $2 million.

To control shrinkage, which reached nearly 3 percent of sales last year, a new security director was established at headquarters. In addition, 30 Florida stores—the state with the highest incidence of shrinkage—were closed during the second quarter. Polygraph tests were given and employees were terminated or transferred.

While sales for both the second quarter and the first six months of 1987 were up 7 percent to $146 million and $262 million, respectively, net income dropped. During the second quarter net income fell 18 percent to $2 million; for the six months it was down 33 percent to $467,000, compared to last year.

Separately, Dollar General will be providing information to shoppers regarding local programs that prepare adults to take the General Educational Development test. The decision to offer mail-in cards for customers interested in studying for and taking the test, comes on the heels of a program implemented by Dollar General whereby the company covered the cost of study materials and test fees for employees interested in taking the GED.

Nearly half of the 23 states where Dollar General operates its 1,300 stores had high school graduation rates below the national average, company president Cal Turner Jr. said. "We recognize that many of our customers are part of these statistics, and we felt that we could lessen the fear of taking that first step toward getting an equivalency diploma by offering local information in each of our stores."

Discounters' Community Service

DSN Accepting DISC Award Entries

NEW YORK — *Discount Store News* is now accepting entries for the 1987 Discounters in Service to the Community (DISC) award program.

The DISC awards, which *DSN* instituted in 1979, recognize the outstanding community service efforts of the discount store industry. The winner will be announced in the Nov. 23 issue of *DSN* and a special awards luncheon will follow in the headquarters city of the winning chain.

Last year's winner, Zayre Corp., Framingham, Mass., was honored for the community endeavors of its store and headquarters employees. Previous years' award winners have included Target, Jamesway and Ames.

Discounters interested in entering the DISC award program should submit any documentation (including newspaper clippings, letters, videotapes, etc.) that describe the goals and achievements of the service programs they conducted in 1986.

Each entry should include six complete copies of each supporting document as well as a 100-word statement outlining the program goals. The entries will be reviewed by a panel of judges from the discount industry.

All entries should be sent to: Editor, *Discount Store News*, 425 Park Avenue, New York, N.Y. 10022. Deadline for entries is Oct. 1.

DSN 25th ANNIVERSARY TRIVIA QUIZ

DSN *invites you to test your recall of vintage discount industry history with the trivia questions that follow.*

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions.*

Please type your answers, including your name, address and telephone number, on standard letterhead, and mail them to:

Quiz Editor—8/24,
Discount Store News,
425 Park Ave.
New York, N.Y. 10022

Winners will be announced in a future issue. Answers to questions below appear somewhere else in this issue.

25 Years Ago This Week:

Discrimination: Blue law advocate Sunday Inc. and a crusading Sunday-law district attorney declined to prosecute non-discounters operating on Sundays. This led discounters to suspect that the Sunday-law legislation might be aimed more at discounting than Sunday retailing.

Those Were the Days: Some representative prices from the summer of 1962: Record albums sold for $1.99; Elgin watches sold for $14.97; cigarettes sold for only $1.99 a carton; and Wilson and MacGregor golf clubs sold for $25 a set. All of these were sold at CMA in Tampa.

The Discount Store Lampoon?: A cartoon by future *National Lampoon* cartoonist Rodriques, a contributor to *Discount Store News*, portrayed two clerks discussing a sign reading "Was 79 cents, now $1.19" and had the punch line "The old man's really burned about that fair trade injunction."

1. What national retail chain opened its first Treasure Island discount store?
a) Sears;
b) Penney's;
c) Montgomery Ward.

20 Years Ago This Weeks:

Finally Named: Federated Department Stores ended weeks of speculation; it settled on Gold Circle as the name for its new discount chain.

Modest Growth: Discount sales tripled over 1962 results to $13.6 billion, and store count increased from 2,025 to 3,005, with 350 more due by year-end.

2. The number of discounters named to Fortune's *Top 50 list for 1966 was:*
a) 24;
b) 12;
c) 36.

10 Years Ago This Week:

They Want How Much?: Discounters were fighting a minimum wage bill that would raise the hourly wage of entry-level employees to $2.65.

Shape of Things to Come: The troubled Korvette's discount store chain sold off six Chicago stores to K mart and two other buyers.

3. Which chain announced a new emphasis on direct imports to boost margins?
a) K mart;
b) Wal-Mart;
c) Mammoth Mart.

5 Years Ago This Week;

Phone Home: Discounters were gearing up for an E.T. invasion, as licensing of the hot new movie heated up.

4. What discounter attempted to step up its fashion image with its own brand name Jonathan Logan?
a) Zayre;
b) Hill's;
c) K mart.

1 Year Ago This Week;

They're Saving Dad's Bucks: College students ranked discount stores No. 4 in shopping preference after college stores, department stores and specialty shops.

5. What specialty chain announced its ill-fated entry into electronic retailing?
a) The Limited;
b) Trak Auto;
c) Crazy Eddie.

Apparel

Off-Price Leaders Target Market, Provide Value

Nationwide DSN Report

For the apparel off-pricers who have a well-defined strategy, have targeted their customer and are providing that customer with the right merchandise at a value, this continues to be a highly profitable market.

Such smaller off-pricers as Dress Barn, ClothesTime and NBO Stores, as well as such others as S&K Famous Brands, Banker's Note and Susie's Deals (see story, this page), are experiencing strong sales and earnings growth.

However, this business continues to weed out the weak. Within the last 12 months, K mart's Designer Depot was shuttered (it was in last year's top 10), and earlier this month The Limited, parent of Sizes Unlimited, announced it was leaving the very competitive off-price apparel market when it merges Sizes Unlimited and Lerner Woman (see *DSN*, Aug. 10, page 2). In addition, there are a number of other smaller off-pricers who are struggling to stay afloat.

(Continued on page 22)

Top Off-Price Apparel Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)
Marshalls (Mass.)	$1,409	$1,324	7%	286	261	29,000
T.J. Maxx (Mass.)	1,050	825	27	261	226	19,000
Ross Stores (Calif.)	534	376	42	131	121	25,000
Burlington Coat (N.J.)	382	343	11	100	87	40,000
Loehmann's (N.Y.)	351	322	9	NA	90	NA
Hit or Miss (Mass.)	345	310	11	501	461	3,200
Filene's Basement (Mass.)	252	213	18	22	22	25,000
Size's Unlimited (N.J.)*	240	255	(6)	550	247	3,500
Sym's (N.J.)	223	215	4	22	17	50,000
Dress Barn (Conn.)	175	135	30	300	235	4,000
ClothesTime (Calif.)	161	127	27	343	263	3,800
NBO Stores (N.J.)	73	64	12	26	21	8,000

**Size's Unlimited recently announced it will trade up to full-price merchandise, merging with Lerner Woman. Number of stores in 1987 includes the addition of 88 Lerner Woman stores.*

NA—not available

Source: DSN research

'$9.99 or Less' Price Spurs Growth for Juniors Off-Pricer

By Pamela Krein

CITY OF INDUSTRY, Calif. — Susie's Deals is taking its "$9.99 or less" fashion apparel beyond its California home for the first time.

The 50-unit off-price chain, which specializes in fashion apparel for juniors, has opened three stores in Las Vegas and is on schedule to meet its goal of operating 150 stores by 1991.

Susie Hyman, co-founder and general merchandise manager of Susie's Deals, said the chain plans to open 12 stores by the end of this year and 25 next year.

7-Unit Smarty Pants

The family-owned chain—Hyman and her brothers, Stephen Hyman and David Hyman, are the principals—started as a single-unit operation in 1982. In addition to the Susie's Deals stores, the Hyman's operate Smarty Pants, a seven-store off-price apparel chain in Southern California that sells merchandise for more than $9.99, and also targets the junior market.

For both chains, Susie Hyman devotes her time to purchasing sportswear and overseeing all of the buying; Stephen, as president, is in charge of general operations; and David, who is vice president, is responsible for in-store merchandising.

Susie Hyman with her brother David (left), and Eric Rosenberg, controller. Sales have jumped 40 percent annually for the last two years. (DSN photo)

Hyman said the family is looking to Susie's Deals for the major growth. She said the "fashion conscious" junior customer shops two to three times a week, and the "$9.99 or less" strategy gets her into the store whever she has some extra money.

Not only does the price limit work to attract teenage shoppers, but so do the "buy-one-get-one-free" accessories deals, certain other special promotions on private label merchandise and/or brands, and the everyday discounts on branded merchandise.

Susie Hyman said private label merchandise accounts for about 20 percent of the mix.

Although she would not disclose the brand names the store carries, *DSN* found the chain carried names such as Gitano, Judy Knapp, A. Buyer, Sergio Valente, Organically Grown, Brittania and Tomboy.

Store locations, like that of many off-price chains, are usually in neighborhood strip malls. The three new Las Vegas stores, in the 3,200-square-foot to 3,400-square-foot range like all the units, are all located in centers anchored by Target, the Minneapolis-based full-line discounter. Susie Hyman said the company often positions its stores along with other discounters and off-pricers.

10 to 12 Turns a Year

Each unit carries approximately 10,000 to 14,000 sku's, with 1,000-sku shipments coming into the stores three times a week, she said, and that translates into turns of 10 to 12 times a year.

All of the merchandise is shipped out of the company's 70,000-square-foot distribution center (located in the same facility as the corporate offices in City of Industry). The merchandise is ticketed and on hangers and is planogrammed by Hyman's brother David. The truck drivers put

(Continued on page 23)

MARKETWATCH

Apparel Hotline

NEW YORK — If you have questions or comments about apparel articles or research published by *Discount Store News*, call our Apparel Hotline: 1-800-332-3005. In New York State, call 212-371-9400, ext. 396. We also welcome news tips.

NEW YORK — Donna Rice will be more visible than Gary Hart this fall. The model and actress, whose romantic link to Hart helped knock him out of the presidential race earlier this year, will be appearing in TV commercials and magazine ads for a women's sportswear line called No Excuses. Neil Cole, president of New Retail Concepts Inc., the marketer of the brand, said Rice has a one-year contract and has agreed not to do ads for other sportswear companies. Cole emphasized that this is "her [Rice's] first and only endorsement" since the Hart controversy, adding that "it's a daring move for us, but we think we'll get some great exposure."

* * *

BANNOCKBURN, Ill. — Mainstreet, the 17-store family apparel specialty chain based here, has identified Fort Wayne as the second of two new markets it will enter next year when it opens nine new units. Previously, the Federated Department Stores division had announced it would enter Minneapolis/St. Paul with five stores. The other three 1988 units will be in Chicago and Detroit, where the chain also plans to open new units this fall.

* * *

NEW YORK — Sigallo Ltd. has replaced Oxford Industries as licensee for McGregor men's knit shirts. Sigallo's first collection for McGregor is available for delivery to retailers in January 1988 for spring, and is currently available for viewing. Also, Stage II Apparel Corp. has replaced Oxford as the licensee for McGregor woven shirts.

Leading Apparel Off-Pricers Target Customers, Provide Value

(Continued from page 21)

The off-price business continues to be dominated by Marshalls, a Melville Corp. division, and T.J. Maxx, part of the newly created TJX Cos.

As Bernard Cammarata, president and chief executive officer of TJX Cos., said about T.J. Maxx's success over the last couple of years, "Our concept is nothing special. It's the execution of the concept that's key. The way you buy, process through the warehouse and manage the store—that's the difference. It's an art, not a science."

Spurred by T.J. Maxx's 38 percent jump in sales during fiscal 1986, parent Zayre Corp. earlier this year spun off T.J. Maxx, along with Hit or Miss and the cataloger Chadwick's of Boston, in order to generate more revenue to fuel future growth. Plans call for 35 new stores a year for the next five years.

Also, within the next four months T.J. Maxx will open its first 10 units in California and a new West Coast distribution center is being planned.

T.J. Maxx continues to upscale its stores, adding special designer departments featuring better brands. The chain is also expanding the number of women's shoe departments and is testing fine jewelry.

Marshalls, despite maintaining its No. 1 position with a 7 percent sales increase in fiscal 1986, didn't meet earnings expectations, which dramatizes just how difficult it is to remain profitable year after year in this business.

Smaller apparel off-pricers are successfully competing with the billion-dollar off-pricers, as well as the K marts, Wal-Marts and Targets, by becoming ever more specialized and sophisticated.

A chain like the 343-unit, Anaheim, Calif.-based ClothesTime, for instance, has successfully targeted the juniors market. To stay competitive they've started to track sku's daily and have daily shipments to their stores.

ClothesTime also develops local mailing lists of their target customers and does monthly direct mail promotions. The chain also recently established a new division to do its own design, contracting and importing of merchandise.

These are the kinds of approaches the apparel off-pricer must take to compete in today's world

As Gene Kozack, president of NBO Stores, said, "There used to be a time when as an off-pricer you couldn't do anything wrong. Now that's all changed—everyone's after this business."

At NBO, Kozack has had to refocus his business, something he's been doing steadily for the last 18 months. NBO has registered seven consecutive record quarters in sales and earnings, and that's been accomplished by upscaling it's merchandise, offering more sportswear and targeting the younger, more fashion-conscious male customer.

All NBO stores have POS terminals and all buyers have portable terminals. Sales can be tracked through the day before by store, color and size.

A strategy of offering top name brands at up to 30 percent to 50 percent off in a specialty store environment in middle markets has been paying off at Richmond, Va.-based S&K Famous Brands, a men's wear discounter specializing in clothing and dress furnishings.

About 40 percent of S&K's mix is from such high-profile department stores as Saks Fifth Avenue, Bloomingdale's and Lord & Taylor. S&K sells the goods, usually bought at the end of seasons, with the brand name, the original store and the original price on the ticket.

S&K's fiscal 1988 sales are expected to hit $45 million, about a 16 percent jump over last year's $39 million.

Stuart Siegel, chairman of S&K, is planning to expand the 48-store operation to 150 units by the end of 1992.

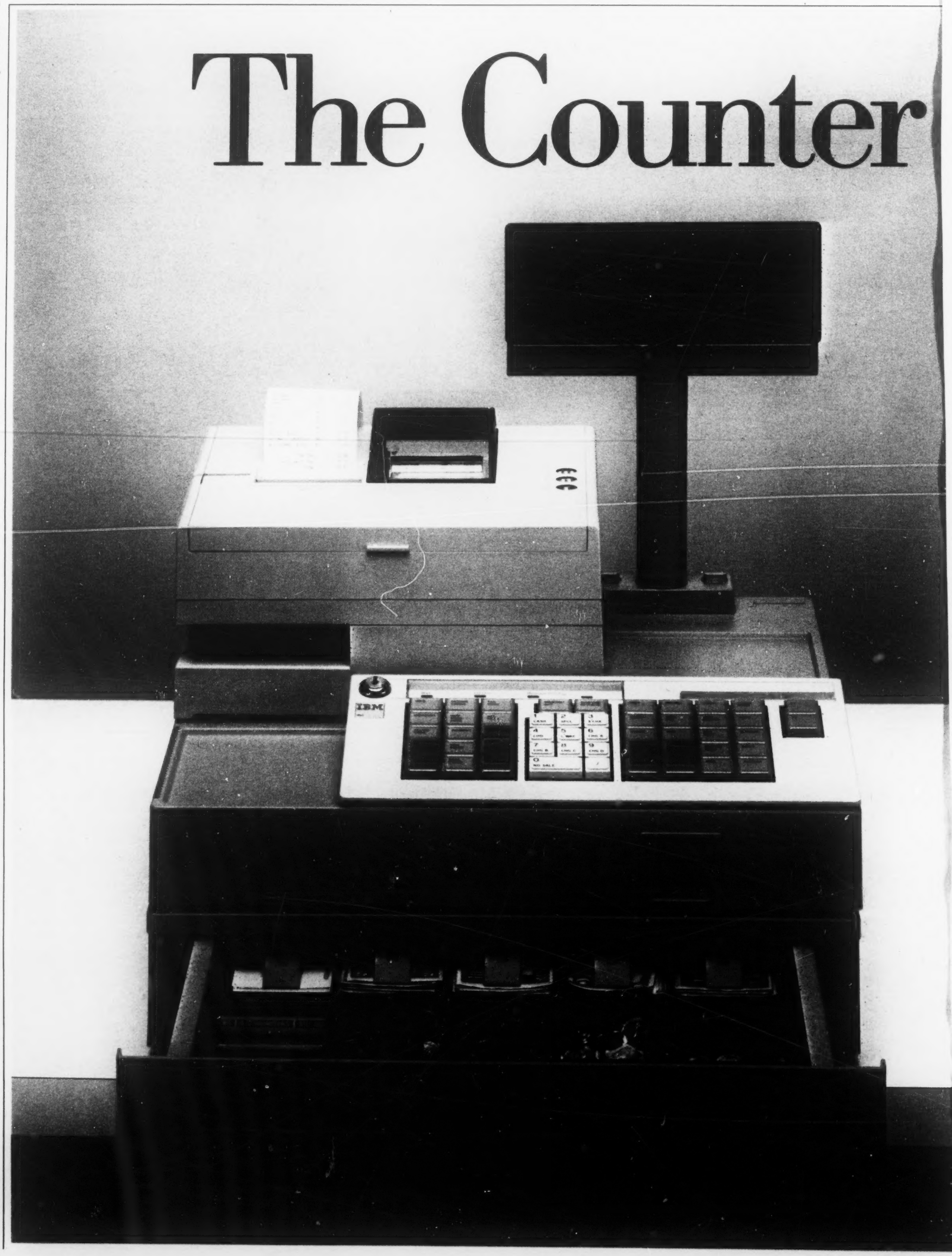
1st Private Label Show to be Held

NEW YORK — The apparel industry's first private label show, called Private Label Expo, will be held here at the Jacob Javits Convention Center, June 1 to 3, 1988.

The expo is to be held twice a year, with the next show scheduled for Nov. 20 to 22.

Expected to exhibit are over 400 manufacturers in all categories of women's, men's and children's wear, as well as accessories. Exhibitors will include major national branded manufacturers with private label divisions, contracting companies and foreign private label producers.

The event will be operated by Private Label Inc., a Schimel Co. subsidiary. Schimel also runs the National Association of Men's Sportswear Buyers (NAMSB) shows at the Javits Convention Center four times a year.



Hard Lines

Auto Giant Transforms into Powerhouse Chain

KANSAS CITY, Mo. — For the first time since Beneficial Finance bought Western Auto in 1961, details about the nation's largest and oldest automotives chain are emerging into public view.

The picture that is coming into focus is that of an automotives veteran bearing a debt load that has slashed net earnings more than in half and is repositioning itself away from the home and auto concept that had been its hallmark in thousands of small, rural towns.

Now in public hands as a separate entity, Western Auto has adopted an automotive supermarket prototype that includes auto service, expanded the automotives side of its merchandise mix and cut back on lawn & garden, bicycles, major appliances and consumer electronics in hundreds of franchised stores.

In the process, Western Auto, as an operator of company stores and a supplier to a shrinking division of 1,744 franchised stores, is becoming more homogeneous.

Western Auto is continuing its long-term trend of closing marginal franchised stores and weaning many of the remaining franchised stores away from a mix of automotives and home lines, putting them on a more solid diet of automotives—similar to that of company stores—through its Flag Store program. New franchised units are being opened with the dominant automotives format.

(Continued on page 41)

Management Buyout Of Chief Auto Looms

(Continued from page 1)

Now his sources within Chief Auto tell him that another LBO effort is underway, Wooten said. But he refused to name those sources.

Wooten said he didn't know who Manor might be working with to arrange finances. Ed Mulé, an investment banker for Goldman Sachs & Co., New York, who is working with Southland on its LBO, said he knows nothing about a Chief Auto buyout.

A memo dated July 15 from Southland chief executive officer Jere Thompson, ordered employees to stop talking to the press, a headquarters source said. Earlier, the source confirmed Manor was working on a Chief LBO. Manor did not return calls to his Dallas office and the Los Angeles office of Chief.

Prior to Thompson's gag order, Manor had said that no buyout could take place before mid-October, which is the earliest that Southland could change to private hands.

A tender for 31.5 million Southland shares at $77 a share expired July 30 but was expected at presstime to be renewed if the Thompson family failed to get all the shares it seeks.

Around Dallas, automotives manufacturers' reps are betting on a management buyout, with the Thompson family still retaining a hefty—if not controlling interest—as the most likely of three scenarios to occur. The others are: another automotive chain, or chain holding company, might buy Chief. Or, a retail chain outside the auto industry might buy it.

As for other auto chains, the Dart Group, which controls Trak Auto, and the Trump brothers from California, who own Schuck's and the former Lucky auto division chains, Checker and Kragen, are the most often named in rep circles as potential buyers from within the industry.

A Dart Group executive refused to comment regarding Chief Auto. The Dart Group, controlled by Herbert Haft and his son, Robert, has made hundreds of millions of dollars in stock profits in the past two years through takeover tenders for other retail chains, including Supermarkets General, this spring, and Safeway, in 1986.

Speaking for the Schuck's, Checker, Kragen auto group in Phoenix, Ariz., Fred Nelson confirmed that SCK is looking at acquiring Chief Auto to reach its goal of operating 1,000 stores by 1990. SCK expects to hit the 500-store mark this month and add 100 stores next year through internal growth alone.

Adding Chief's estimated sales of $256 million in 1986 to SCK's $414 million would create the nation's No. 2 auto chain behind Western Auto.

Nelson, director of corporate communications, said, "anytime an auto parts company comes up for sale, my parent company looks at it very carefully. When we learned the company was for sale, we started looking."

When Grand Auto, Oakland, Calif., put itself on the auction block in March, SCK took a look, Nelson said. Due to the similarity in operations, offering only parts and accessories and no service, Chief and SCK would be a good mix, Nelson said.

Another source within the SCK organization, however, said his company isn't interested in Chief.

From outside the industry, a potential buyer is Melville Corp., parent of Marshalls. Three months ago Melville hired J. M. (Mickey) Robinson, former chief financial officer for Auto Shack, Memphis, Tenn., and president of the Automotive Parts and Accessories Association.

Robinson, director of corporate development, said Melville might include an auto chain among future acquisitions, but added his firm "probably isn't interested in Chief."

Top Automotive Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In. Sq. Ft.)
Western Auto (Mo.)	$760[A]	$721	5%	2,032	1,997	7,000
Shuck's, Checker, Kragen (Ariz.)	414[B]	385	27	500	474	4,000
Pep Boys (Pa.)	486	389	25	212	177	17,600
Auto Shack, (Tenn.)	365	270	35	386	306	5,400
OTASCO (Okla.)	309[A]	288	7	575	575	7,000
Chief Auto (Texas)	256	246	4	485	465	3,250
Nationwise (Ohio)	200	175	14	200	174	6,000
Trak Auto (Md.)	183[C]	144	27	245	212	6,000
Grand Auto (Calif.)	166	168	(1)	121	113	12,500
Whitlock (Ill.)	150[D]	115	30	177	162	13,000
Auto Works (Mich.)	145	127	14	226	176	5,000

[A]Includes sales from company-owned stores and wholesale revenues from franchisers.
[B]Includes totals for Lucky Auto division, acquired December 1986.
[C]Includes results from Trak West division, acquired in 1987.
[D]Includes results for Rose Auto Stores, acquired October 1986.

Source: DSN research

MARKETWATCH

NEW YORK — When the 54th annual **National Merchandise Show** opens here next September at the Jacob Javits Convention Center, it will be the largest event in the show's history, according to Thalheim Expositions, Manhasset, N.Y., managers of the exhibition. Jay Thalheim, chairman of Thalheim Expositions, said the show will include 1,500 exhibitors and 2,300 booths during the four-day event scheduled for Sept. 12 to 15, 1988. Attendance is expected to exceed last year's 31,706, he said.

* * *

CARTERET, N.J. — **Herman's Sporting Goods**, the nation's largest sports specialty retailer, has announced the promotion of five senior management executives to top positions. Four of them are long-time Herman's employees and the fifth is an officer of its parent company, Dee Corp. Topping the list is John L. Sisk, who was named vice chairman of the board. Since 1981, he served Herman's as its president and chief executive officer. The new president is former executive vice president and deputy ceo George R. Mrkonic Jr. Herman's named David E. Bloom, most recently president of Total Sports and territorial vp, Western Territory, to executive vp and chief operating officer. Robert J. Timinski has been appointed executive vp, chief merchandising officer from senior vp, general merchandise manager. And John E. Labbett, presently Dee Corp.'s group controller, has become senior vp, chief financial officer. Kevin O'Keeffe, Herman's chairman, commented that the changes give the company a strong senior management team at a time when Herman's is expanding rapidly into a truly national presence.

* * *

MT. PROSPECT, Ill. — The **National Sporting Goods Association** will sponsor its Fall Market show Sept. 17 to 19 at the Anaheim Convention Center in Anaheim, Calif. The show will feature an expanded roster of exhibitors, and an expanded "pavilion" approach to presentation. The association will present a comprehensive series of seminars in conjunction with the show. Seminar topics include recruitment of personnel, effective advertising, POS and inventory control, risk management and theft prevention. Most will be presented at no charge. NSGA will also sponsor the World Sports Expo in Chicago Oct. 8 to 10. For further information about both shows, contact the association at (312) 439-4000.

* * *

NORTH MIAMI, Fla. — **The Super Show**, the sporting goods exhibition held at the Georgia World Congress Center in Atlanta in late winter, has been named one of 19 trade shows the U.S. Commerce Department will promote internationally as part of its U.S. and Foreign Commercial Service 1988 Foreign Buyer Program. According to the show's marketing director, Michael Frisby, the program "is designed to promote worldwide attendance of qualified buyers at leading U.S. trade shows which cover industries with high export potential."

Old-line Auto Giant Transforms into Powerhouse Chain

(Continued from page 39)

In the process, wholesale revenues derived from servicing its franchised units fell 10 percent last year as the number of company stores continues to increase from the 1984 turnaround year.

The store count breakdown highlights the trend: in 1986, it closed 219 franchised stores, partially offset by 84 White Auto and Home Stores acquired in February 1986 from the Canadian Tire Company. It ended the year with 1,744 franchised, or "associate" stores, down from 1,868 in 1985. That compares with 2,554 in 1982.

In the process, sales to associate stores slipped to $343.3 million in 1986 from $381.7 million in 1985.

In addition, Western Auto operates 253 company-owned stores, an increase from 213 in 1985 and 197 in 1984. Sales in company-owned units rose to $303.4 million in 1986 from $249.2 million in 1985, compared to $210.3 million in 1984.

Other Divisions

Other Western Auto divisions include Tire America, a chain of 52 tire stores acquired in the same month Western Auto went public, January, 1987, and Midland, an international importer of two-way radios and wigs.

Net sales and revenues increased to $759.8 million for the year ended Jan. 3, 1987, from $721 million for the year ended Dec. 20, 1985, the Western Auto annual report shows. On a pro forma basis, adjusted to include the acquisition of Tire America, total sales were $857.4 million in 1987, compared to $813.1 million in 1986.

On a pro forma basis, adjusted for the acquisition, debt issued to finance the leveraged buyout from Beneficial and a stock offering that took the company public in January, net earnings rose to $9.4 million in the fiscal year ended Jan. 3, 1987, from $4.8 million in the fiscal year ended Dec. 20, 1985.

On a historical basis, however, without adjustment, Western Auto had earned a net of $21.3 million in fiscal 1985.

Operating profits rose 25.4 percent to $6.8 million in 1986 from $37.3 million in 1985. But interest expenses soared almost four-fold to $31.7 million in 1986 from $8.1 million because of the cost of debt issued to finance the leveraged buyout.

Western Auto became a highly-leveraged company when Wesray Capital Corp., a New Jersey investment firm headed by former Treasury secretary William Simon, acquired it from Beneficial on Dec. 20, 1985, (in a deal valued at $340 million), said Kenneth L. Brown, senior vp for finance and administration.

Because of the leverage, interest costs rose significantly, Brown said.

In acquiring Western Auto, Wesray put up $17.7 million in cash and took on $290 million in debt. Prompted by soaring stock prices, Wesray took Western Auto public in January 1987 after about a year of private ownership.

In 1981, while still in Beneficial's hands, Western Auto had developed its auto supply supermarket prototype, combining tires, discounted parts and accessories, and installation and repair service. Some existing stores were closed, reducing store count to 197 in 1984 from 227 in 1982. The rest were converted to the auto supermarket concept, the model for all new company stores and the Flag Store franchised units.

On the retail, or company store, side, total sales rose 21.8 percent in 1986, while comparable store sales gained 10.4 percent. Western Auto plans to open 45 new stores in 1987, on top of 40 opened last year.

On the wholesale, or associate store side, Western Auto converted 30 franchised stores to the dominant automotives format and added 21 new ones, for a total of 293 Flag Stores.

In 1987, it plans to convert 50 more to the auto supermarket concept and open 30 new ones. No information is readily available on any plans to close marginal franchised stores this year.

Its Tire America division plans to add 15 new stores handling tires and ride-related services, such as shock absorbers, brakes and wheel alignment, during this year.

A one-man franchised store in Millersburg, Pa., a small farming community 30 miles north of Harrisburg, the state capital, illustrates Western Auto's problems with its associate operations.

Faded car-care manuals dating from 1984 were on sale at half price.

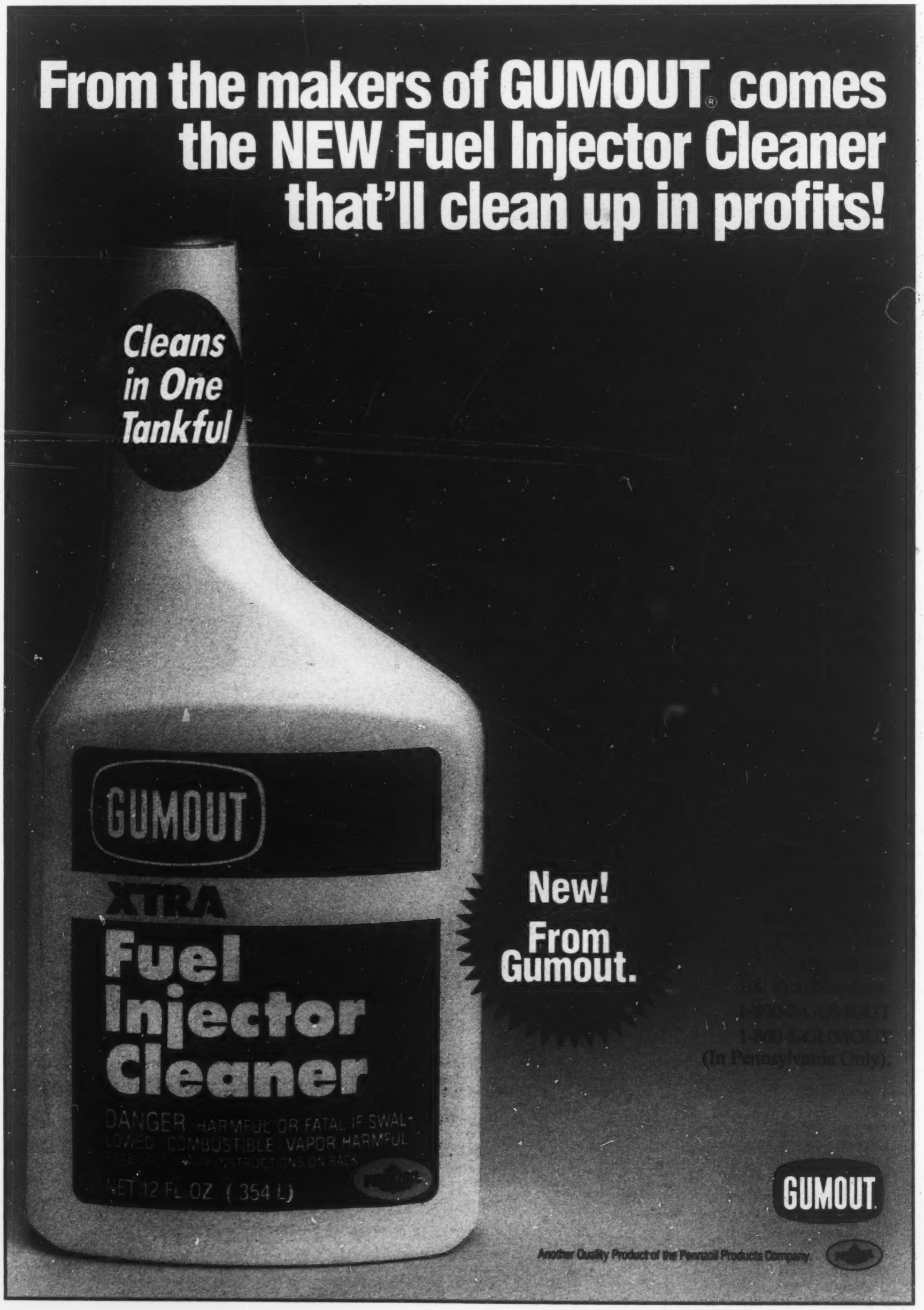
The home section offerings consisted of a handful of private label Western Flyer bicycles and mowers bearing the Wizard private label and a few hand garden tools.

Bryan Nailor is single-handedly operating the store that his parents own. The store, which includes a service bay, is about 2,500 square feet.

Western Auto now is stocking more auto parts in such stores, Nailor said, including exhaust pipes. For specialty auto parts, Western Auto has started catalog order service from Reliable and J.C. Whitney, he said.

The Millersburg store has handled a couple of catalog orders, Nailor said. One order, totaling about $95, was for pickup truck speciality items, including wheel covers, trim rings, headlight covers and a tube grill. The order arrived in three days, he said.

Nailor said he plans to continue to carry his small assortment of lawn & garden and bicycle items, even though he is squeezing in more shelves to accommodate expanded automotives offerings.


From the makers of GUMOUT® comes the NEW Fuel Injector Cleaner that'll clean up in profits!
Cleans in One Tankful
GUMOUT
XTRA
Fuel Injector cleaner
DANGER HARMFUL OR FATAL IF SWALLOWED COMBUSTIBLE VAPOR HARMFUL
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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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New locations for future Gee Bee discount department stores will all be in malls and strip shopping centers, something company chairman Alvin Glosser said is "the wave of the future." (DSN photo)

Glosser to Double Size Over Next Five Years

By Laura Liebeck

JOHNSTOWN, Pa. — Glosser Brothers, owners of Gee Bee discount stores and Dollar Discount Outlets, is on an expansion course that will double the size of the company in the next five years.

Chairman Alvin Glosser told *DSN* that by 1992, Glosser Brothers will have 40 to 45 Gee Bee stores and 100 Dollar Discount Outlets.

Currrently, Glosser operates 22 Gee Bee's and 50 Dollar Discount Outlets in West Virginia, Virginia, Maryland, Pennsylvania and Ohio.

Glosser said that it is "very

(Continued on page 159)

K mart to Boost Apparel Mix; Plans 2 Racetrack Test Stores

By Kenneth M. Chanko

NORTH BERGEN, N.J. — Representing an increased commitment to its apparel business, K mart Corp. next month will unveil a new test prototype featuring a racetrack aisle design with all apparel categories in the infield and hard goods that correspond to specific apparel categories directly across the aisle.

The new prototype will be tested in two Group 7, or mid-range (68,000-square-foot), units in Ohio, according to Glenn B. Smith, president of K mart Apparel, and features approximately 4,000 additional feet of apparel space over existing stores.

Smith, who would not reveal the location of the two Ohio stores, told *DSN* the prototypes, if successful, would be rolled out in the chain's 513 mid-range units. He would not speculate on what would happen beyond that.

The prototype, designed by a team of outside consultants based on studies of consumer retail traffic, represents "a completely new look for us, with expanded apparel space," said Smith.

Smith, who declined to reveal many details prior to the scheduled openings early next month, emphasized that the new racetrack, apparel-in-the-infield design is at this stage just "a test program." Consumer reaction and traffic studies after a period of time will determine whether the new design will be rolled out.

Smith said that in addition to the prototype test, the chain is continuing its program of adding about 4,000 square feet of apparel space in existing stores across the country. By the end of the year, 200 stores will have the new apparel space, with 800 to 1,000 units earmarked for the refurbishing, said Smith.

The categories to be expanded include the chain's newest two, petites and big and tall, as well as other women's, children's, infants' and maternity, he said, adding that the additional square footage is being created by cutting back on auto service, building materials and snackbars, along with some cuts in backroom and stockroom space in certain stores.

Smith said the additional space represents an average 15 percent increase over existing apparel footage and increases the apparel portion of K mart's mix to 30 percent from 25 percent.

Major Discounters 'Hablan Español' In Pitch to Attract Hispanic Market

By Richard C. Halverson
Nationwide DSN Report

"Complacerlo a Ud. Es Nuestro Mayor Interés." (Pleasing You Is Our Main Concern).

That's the way Chief Auto Parts, a specialty automotive discounter based in Dallas, starts its traditional customer comment card—in Spanish.

With such promotional materials and advertisements on Spanish radio and television, Chief has joined a small list of discount chains attempting to tap the growing Hispanic market by speaking its language.

K mart, Zayre (in Miami and Florida) and Target on the West Coast are among the handful of discount chains that have joined such companies as Sears Roebuck & Co., J.C. Penney, Ford Motor Co., Adolph Coors Co., Coca-Cola, AT&T, Metropolitan Life Insurance and Procter & Gamble in reaching out to the nation's 18.9 million legal Hispanic residents in their native language.

(Continued on page 10)

Men's Fashions Draw Buyers to L.A.

With discounters paying increased attention to young men's fashion looks—like the goods in this Canadian Towers store—buyers will be walking the aisles at this month's MAGIC show in L.A. with plans to buy. An in-depth outlook for '88 spring fashions and an exclusive study on men's wear buying patterns starts on page 105. (DSN photo)

Absence of Key Suppliers Blamed

Top Chains Skip HouseWorld Expo

LAS VEGAS — The absence of many major housewares vendors resulted in a light discounter turnout at the first annual HouseWorld Expo, held here at the Las Vegas Convention Center, from Aug. 31 to Sept. 2.

The show drew about 400 manufacturers, including a smattering of larger discount industry suppliers such as Libby, Royal Creations and Sturdi-Craft, said Ronald Fippinger, group show director for The Interface Group, producer of the show.

Ronald Fippinger

Malcolm Sherman

However, retailer traffic was sparse and predominantly composed of representatives from smaller retailers and mail order firms.

The giant discounters like Target, K mart, Wal-Mart and Caldor all skipped the show.

Several of the chains told *DSN* they did not go to the Expo because many of their key manufacturers were not there. Vendors such as Rubbermaid, Corning, Wearever/Proctor Silex, Westbend, Mr. Coffee, Sunbeam, Eureka and Conair did not have booths at the 100,000-square-foot Expo.

(Continued on page 159)

Opportunity to Expand Distribution

Atari to Buy CE Chain

By Pamela Krein

LOS ANGELES—The beleaguered CE chain, The Federated Group, has agreed to a $67.3 million merger with computer and video game manufacturer Atari Corp. The deal not only brings an infusion of much-needed capital to Federated, but also affords Atari the opportunity to expand its product distribution.

Atari commenced its $6.25 per share tender offer on August 28, for the 10.8 million outstanding Federated shares. The merger is subject to Atari receiving approval from Federated's bank lend-

(Continued on page 159)

Men's Wear Buying S... | *Federated Does* | *Home Security Hot At Hardware Show* | *25 Years of Discounting*

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MS JEANNE LONG
CONGRESSIONAL INFOR SVC 1HJ
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

MARKETWATCH

ABC Cancels Home Shopping Show

NEW YORK — The ABC-TV network last week cancelled Bargain Hunters, the daily 30-minute teleshopping game show which it began airing in early July. Cataloger L. Luria & Son had been sourcing merchandise for the program which was broadcast for only about half of its 13-week test. Bargain Hunter's demise follows that of three other video retailing programs that had been carried on broadcast TV stations. The Home Shopping Network's daily half-hour Home Shopping Game Show was axed by CBS-TV and other stations early last month after a three-month airing, while ValueTelevision, which combined teleshopping and entertaining in a one-hour format, was dropped in early July by the Fox Network after a six-month run. Dayton Hudson Department Store Co. suspended its daily one-hour DH-Direct in June after a 13-week test on independent stations in 16 markets.

Catalog Group Relocates Headquarters

WEST SIMSBURY, Conn. — The National Association of Catalog/Showroom Merchandisers (NACSM) has moved its headquarters. The new address is P.O. Box 699, West Simsbury, Conn. 06092. Phone: (203) 651-4224.

Macy's Hops on Specialty Bandwagon

NEW YORK — R.H. Macy & Co., a full-line department store based here, reportedly will roll out four new specialty store chains, beginning with a fall introduction of one concept. A Macy's spokeswoman would not confirm this report but told *DSN* that Macy's chairman and chief executive officer, Edward Finkelstein, will hold a press conference in New York by the end of September, presumably to discuss the chain's expansion plans. Press reports about Macy's new specialty stores began in mid-August when *Women's Wear Daily* ran a story about the retailer's plans to open specialty stores based on an interview with Finkelstein. The story in the Aug. 11 issue reported that pilot stores are "expected to open" in Northern California and possibly New Jersey, and would include junior, misses' and young men's merchandise.

Dart Group Is Interested in Chief Auto

NEW YORK — Another discount automotives chain has emerged as a potential buyer of Chief Auto, Dallas. The Dart Group, owners of Trak Auto, Landover, Md., intends to make an offer to buy the 475-store chain from Southland Corp. soon as it receives a sales prospectus Chief is preparing. Trak operates about 222 stores. Southland announced that it intends to sell Chief and other assets to help pay for a $4 billion leveraged buyout. Previously, Checker Schuck's Kragen, Phoenix, Ariz., said it was interested in Chief to help it reach its goal of 1,000 stores. It now operates about 500. Industry sources said Michael Manor, division manager of Chief, is attempting to line up financing for a management buyout of the chain.

Seiden to Head Consumers Dist. (U.S.)

TORONTO — Consumers Distributing (Canada) has named Stanley Seiden president of its subsidiary Consumers Distributing (U.S.). He was head of Weiboldt Stores.

FOR THE RECORD

The word "prices" was inadvertently omitted from a headline appearing in the Aug. 24 issue of *DSN* that stated, "Survey Shows Videocassette Rentals Steady, Sales Declining." The studies reported that rental prices of prerecorded videocassettes are holding steady, while sale prices are declining.

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Heck's New President Views Mission As 'Redefining' Chain's Direction

By Peter Hisey

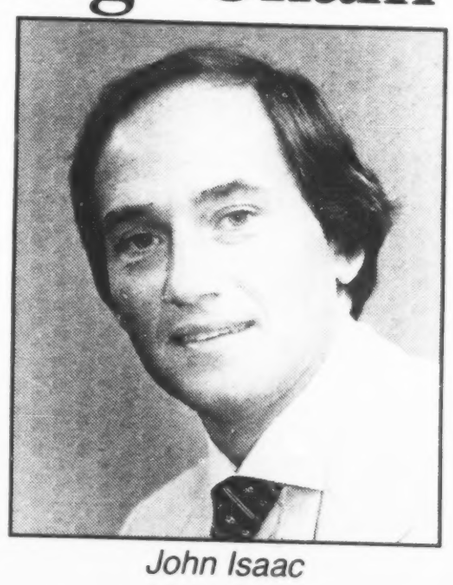
NITRO, W. Va. — Former Service Merchandise president John Isaac has been named president of Heck's, the 95-store discount chain headquartered here. Isaac, 42, replaces Theodore Kazleman, who resigned in July.

Heck's chairman Russell Isaacs, who announced the appointment of Isaac (no relation), said, "His extensive retailing background will be instrumental in helping Heck's affect the recovery it has been working so diligently to achieve."

The company has been operating under Chapter 11 since March.

"Obviously, our first priority is developing a plan of reorganization acceptable to all parties (in the Chapter 11 proceedings)," Isaac told *DSN*. "But we also have to be sure that it works.

"I think the company has been making good progress in redefining its basic core group of stores and in re-evaluating its future direction," he added. "I'm very optimistic about our prospects."



John Isaac

Heck's has closed 29 "unprofitable" stores since March and will continue to evaluate the remaining locations' profit potential, Isaac said.

Operating within Chapter 11 constraints, Heck's has managed to re-establish several lines of supply which were cut in the period shortly before the company applied for bankruptcy protection.

"Most of our vendors have been outstanding in their support," Isaac said.

Isaac said that the most important issue facing Heck's is "deciding what we want to be." Although larger chains (Wal-Mart, for instance) are moving into Heck's traditional mid-Atlantic market, Issac said, "We can compete."

In addition to serving as president of Service Merchandise from 1981 to 1986, Isaac has experience with Gold Circle, Arlans, Duty Free Shoppers and, most recently, with Tradevest, a Florida retail catalog mail order company where he served as president.

In other news, William Bragg Jr. was appointed secretary of the company and named to the board of directors. He succeeds H.G. Shaffer Jr., who recently retired after 20 years as a director and company secretary. Bragg started as a staff attorney with Heck's in 1980 and was named general counsel (a title he will retain) and assistant secretary in 1983.

Also, Lew Soulsby has rejoined the company after a year's absence as senior vice president of marketing and advertising. He had previously served in various positions with Heck's for 17 years.

Grand Auto Off Block; Names CEO

OAKLAND, Calif. — Grand Auto has taken itself off the auction block and appointed a new president to ride the 112-store chain out of its earnings slump.

Thomas F. Herman, formerly a senior executive of the Lucky Auto division, which operated Checker and Kragen stores, has been named chief executive officer and president, Grand Auto announced.

In addition, Grand told Shearson Lehman Brothers to stop looking for a buyer for the chain.

Back in March, Grand had retained the investment banking firm to seek a buyer, but no offers were received that the board found acceptable.

In other news, sales remained flat for the second quarter ended July 27, 1987, while earnings declined. Sales totaled $43.7 million for the second period, compared to $43 million the previous year.

After-tax income plunged to $105,000 for the quarter from $409,000 a year earlier. Earnings fell to 3 cents per share from 13 cents per share.

For the six months, sales came to $84 million, virtually unchanged from the same half of 1986. Grand reported a loss of $19,000, equal to 1 cent per share, compared to a profit of $219,000 and 7 cents a share in the same six months of 1986.

Gary D. Hill, chief financial officer, said the decline in profits stemmed from higher labor costs as a result of a new union contract and an expensive advertising campaign which ended in July.

Last October, Lucky sold its auto division to the holding company that owns Schuck's Auto, based in Seattle. The acquisition produced a chain, Checker Schuck's Kragen, based in Phoenix, with about 500 stores and 1986 consolidated sales of $412 million.

DSN Accepts DISC Award Entries

NEW YORK — *Discount Store News* has announced that the entries for the 1987 Discounters in Service to the Community (DISC) award are now being accepted.

The DISC award, established by *DSN* in 1979, recognizes the outstanding community service efforts of discount store chains. Last year's award recipient was Framingham, Mass.-based Zayre Corp.

Each entry should include a 100-line statement outlining program goals, and clippings, letters, etc. exemplifying the specific community service programs. Please submit six entries which will be reviewed by a panel of judges from the discount industry. The deadline is Oct. 1.

Mail entries to: Editor, *Discount Store News*, 425 Park Ave., New York, N.Y. 10022.

U.S. Shoe Sells Six Front Row Stores

CINCINNATI — U.S. Shoe announced it has sold all six of its Houston, Tex., Front Row off-price family apparel stores to Edmond Wulfe, founder of a commercial real estate, brokerage and consulting firm in that city.

The stores will continue to be operated as Front Row with Edmond's brother, Emil Wulfe, as president and chief executive officer.

The six stores represent $20 million in annual sales, according to U.S. Shoe. Six other Front Row stores in Atlanta, Chicago and Indianapolis—representing $30 million in annual sales—will continue to be run by U.S. Shoe.

"Houston has a depressed economy, and we felt an independent could run it more efficiently than we could from Cincinnati," said Edward Klee, vice president of finance.

Additional Front Row units might be constructed in the Atlanta and Chicago markets in the future, according to chairman Philip Barach.

In addition to the Front Row sale, the company also recently sold three entire divisions: the 218-unit J. Riggings men's wear division; The Home Front, a 26-store linens and domestics chain; and the men's shoe manufacturing and wholesale division.

The company plans to open two T.H. Mandy off-price stores before year-end, despite flat sales, bringing the chain to 19 stores.

Another 100 specialty apparel units are planned by January 1988 among Casual Corner, August Max and Petite Sophisticate.

U.S. Shoe also announced it will soon begin manufacturing performance athletic and walking shoes called "Easy Spirit." Barach estimates the new division will generate as much as $25 million in sales within a three-year period.

Corporate sales were up 12% for the second quarter to $511 million. Net earnings rose to $5 million from a loss of $5 million during the period last year.

25 YEARS OF DISCOUNTING

From the birth of K mart to the demise of Korvettes, this special report traces key events that have shaped the discount industry since 1962. In addition, a series of exclusive interviews with key executives examines the future of discounting.

Retailing Leadership:
A History of the Discount Industry
—pages 36 to 53

Retailing Outlook:
Execs Address Discounting's Future
—pages 55 to 82

25th ANNIVERSARY

Retailing Leadership:

A Quarter-Century History of the Discount Industry

By Arthur Markowitz

Discount stores burst on the American retail scene in a big way in the '60s.

The discount concept, however, can be traced back a half century earlier to innovative merchants with small apparel stores in New York City. The industry itself started to take shape in the late 1940s and early 1950s, as a number of companies pioneered this new retailing format.

In 1912, Samuel Klein opened S. Klein on Union Square in downtown Manhattan, geared to volume selling and rapid turnover of apparel at low prices. A dozen years later, Joe Weinstein started Mays in downtown Brooklyn, while in 1928, George Farkas launched Alexander's in the Bronx. Weinstein and Farkas added the idea of buying samples, overruns and closeouts of fashion apparel to Klein's low-margin, high-volume merchandising concept.

The discount concept in the 1930s saw Mary Chase open Chase Clothing in 1933 as a piperack apparel discounter, while Steve and Philip Masters applied the idea to hard goods in 1937 when they unveiled Masters, offering radios, a hot depression item, at discount prices. Within a decade, discounting as a merchandising idea began to take on the rudiments of today's discount store industry.

In the late 1940s, shuttered New England factories and mills were converted into discount stores by such merchants as Ollie Cohen and Murray Candib of King's and Lester Palestine of Arlans. Meanwhile, in a former New Jersey diner, Herbert and Sidney Hubschman launched Two Guys as an appliance discounter.

New York City, which was the birthplace of the discount concept almost a half century earlier, saw Eugene Ferkauf start Korvettes in a loft as a semi-membership store, first selling brown and white goods and then a broad mix of hard lines.

National newsweeklies made Ferkauf and Korvettes a cover story subject, turning the discount concept practiced by a scattering of retailers into a national phenomenon.

Discounting Picks Up Speed in '50s

The industry's growth picked up speed in the 1950s; the list of chains launched then reads like a founders' Who's Who of discounting. Innovative merchants started Caldor, Bradlees, Hills, Heck's, Goldmans and Leonard's; Gibson was launched as a franchise operation; Fed-Mart, Fedco and GEM began as membership stores; and the booming discount field attracted other retailers.

Zayre, Shoppers Fair, Zody's and Barker's were founded by apparel specialty chains; Big K and Masons by variety store operators; Valu-Mart by a credit jewelry company; Fred Meyer, Grand Way, J.M. Fields by supermarket firms; and Interstate Stores (Topps and White Front) by a department store operator.

While this was going on in full public view, another discount format—catalog showrooms—was starting to take shape in the 1950s, quietly and often in stores that weren't open to the public, but only to card holders.

The seeds of the catalog showroom industry go back to at least the late 1800s, when wholesalers, and a few 'retailers,' used catalogs to sell to their customers. Merchandise could be ordered by mail from the retailers, including firms that eventually grew into today's Sears Roebuck and Montgomery Ward.

While most catalog companies in the 1930s, 1940s and early 1950s were wholesalers and jobbers, a few sold goods to the general public, but only on a closed-door basis. This began to change in the late 1950s as the wholesalers and jobbers and the handful of small local retailers like jewelry stores that used makeshift catalogs started to sell to the general public.

Buying groups and enterprising individuals started to put together more professional catalogs, using colored illustrations and original art.

Many small retailers and former wholesalers began using the books and displaying samples. These included post exchange suppliers (Ellman's), book distributors (Best Products), tobacco jobbers (Paysaver), jewelers (Edison Jewelers), candy distributors (Fred Gattas), silverware suppliers (L. Luria & Son), hardware jobbers (Anchor Distributors), grocers (Brendle's), and domestics stores (Sam Solomon).

Some still sold on a closed-door basis, but others opened their 'stores' to the public. These new catalog showrooms became members of a new type of organization, a group that used a catalog put together by one company, the catalog coordinator.

The stage was now set for the evolution of the discount concept into two retailing formats:

One was the explosive growth of full-line discount stores that rapidly made these merchants the nation's leading retailers of general merchandise. This path was paved in the 1960s by the launching of a host of chains like K mart, Wal-Mart, Target, Venture, Clover and Gold Circle, that today are the backbone of the discount field.

The other was the more measured growth of catalog showrooms as specialty discounters that merchandised mainly jewelry and hard goods. The late 1950s saw this industry coalesce into about a dozen groups, including today's surviving coordinators, Paul Schultz Catalogs, Merchandisers Association Inc., Jewelcor Merchandising, American Merchandising and Associated Charter. The dozens more retailers that opened their doors to the public in the late 1950s and early 1960s include the about four dozen chains that currently comprise the showroom industry, companies like Service Merchandise, Best, Luria, Dahlkampers, Brendle's, Fred Gattas and W. Bell.

25th ANNIVERSARY

1962 to 1966: Korvettes Is Sales Leader; Today's Big Three Chains Born

If the 1960s gave birth to the discount industry of today, then 1962 was a premier year.

A quarter century ago, K mart, Wal-Mart and Target opened their first stores, setting the stage for their eventual development into the nation's three leading discounters.

In the process of becoming the industry's stellar chains, K mart converted a stagnant S.S. Kresge variety company into the country's second-largest general merchandise retailer, Wal-Mart made a small Arkansas variety chain into a national merchant, and Target made discount retailing the highest-volume operation for the Dayton Hudson conventional department store firm.

The trio entered a strapping industry of full-line chains that already had just under 1,500 stores and that had recorded $4.25 billion in sales the year before, *DSN* reported in its very first issue.

The industry at the start of the 1960s, for the most part, was composed of chains that aren't around today. *DSN's* listing of these discounters was led by Korvettes, the volume leader with over $200 million in sales (and 15 stores); Interstate (24 units); GEM (15); Spartans (22); and Two Guys (16). Other early discount powerhouses that aren't around today were J.M. Fields, Masters, Arlans, Atlantic Mills, Clark's, Shopper's Fair, Fed-Mart, Bargain City, Maxam's, Floyd Bennett, King's and Towers Marts, along with smaller operations like Globe, Jefferson, Mammoth Mart, Community Discount Center and Grand-Way.

Two Guys, the fifth largest discount chain 25 years ago, was launched in the '40s by Sidney and Herbert Hubschman—Two Guys from Harrison, N.J. (DSN photo)

Today's Leaders Date Back to '62

But there are a handful of current chains that go back a quarter of a century: Zayre (a power even then with $100 million in sales from 27 stores), Bradlees, Caldor, Fred Meyer, Ann & Hope, Meijer, Fedco, Hills, Jamesway, TSS-Seedman's and Nichols. For the most part these were small chains, focusing on a regional operation, intent on learning the new discount form of retailing and perfecting their business before expanding.

Other companies, attracted by the industry's fast-track growth, tested the discount waters in 1962 by launching chains. Variety store operator F.W. Woolworth started Woolco, while Neisner Bros. unveiled Big N. and Allied Department Store began Almart. Down the road, these three chains also wouldn't prove as successful as the K mart, Wal-Mart and Target trio.

While the industry was attracting enterprising new companies, along with established retailers, conventional department stores, for the most part, looked askance at the discount concept and the upstart chains. The head of the National Retail Merchants Association, the department store industry's trade group, called discounters "sinners" in 1962 and said discounters and discounting wouldn't be discussed in public.

The situation quickly changed due to the impact discounters were having on retailing. The NRMA began sponsoring seminars on discounting to enable members to learn about this new retailing concept and be better equipped to compete with discounters and even launch their own discount store chains.

Within two decades, department-store-bred discounters like Target, Venture, Clover and Gold Circle would be among the industry's most successful chains. Discounters, meanwhile, became the major retailers of basic hard lines, while department stores focused their merchandising on apparel, particularly designer labels, and lifestyle categories like home furnishings.

While discount stores were becoming a major merchandising force in the early 1960s in full view of other retailers and the public, the other innovative discounting format—catalog showrooms—was unobtrusively taking shape behind closed doors and in low-rent industrial areas. Many companies traced their roots back to at least the 1950s, if not earlier, when they were mainly skewed to wholesaling and jobbing, selling to businesses and to those consumers who had a shopping card.

1962		
	Sales	Stores
Industry Total*	$ 6.0 bil.	1,500
Korvettes	235.4 mil.	21
Interstate	220.8 mil.	44
GEM	164.3 mil.	30
Spartans	116.0 mil.	39
Two Guys	115.1 mil.	20

Now in the early 1960s, the catalogers were sharpening their operations and opening their doors to the general public, putting together full-color catalogs and unveiling larger display areas.

The catalog industry was all but ignored by other retailers because of the limited number of showrooms and the specialized focus of its merchandising: jewelry and hard goods.

The boom full-line discount store industry, however, was closely monitored and avidly shopped by traditional retailers and the public. The result: The industry's growth and development in 1962 set the pattern for what followed during the next few years.

In the early 1960s, the prime concerns of discounters included the so-called Fair Trade laws and Sunday Blue Laws. Discounters, supported by consumer groups and even the Federal Trade Commission and the National Better Business Bureau, won some battles against Fair Trade and a growing number of non-apparel manufacturers began selling direct to chains.

Sunday Blue Laws, however, wouldn't be overcome until the late 1970s and early 1980s, with scattered localities even today still banning the sale of selected items on Sunday.

The acquisition trend, which would result in the consolidation and contraction of the discount industry within two decades, showed a low profile in 1962 as Diana Stores, a leased apparel operator, bought the Great Eastern and Gulf-Mart chains, while Jewel, a supermarket operator, moved into the discount general merchandise arena by acquiring Turn-Style. The pace picked up during the next few years as larger companies like lessee Unishops bought scattered small operations like Clarkins, while closed-door operators GEM and Parkview combined.

The big blockbuster deal, however, came midway through the 1960s: Spartan Department Stores merged with Atlantic Thrift Centers early in 1966 to create the second largest chain in units (after K mart) and the combined Spartan Industries then acquired Korvettes, creating a $1 billion-plus retailer that topped K mart, which was just under $900 million in volume.

The industry's explosive growth was already evident in the early 1960s.

In 1962, when *DSN* first began tracking the industry's performance, the 2,025 stores generated $6 billion in sales. Soon after, in 1966, the number of units had grown to 2,684 stores, an impressive 32.5 percent increase. This percentage, however, paled before the explosive volume jump of 91.8 percent to $11.51 billion.

In 1966, two familiar names, K mart and Zayre, were the leading chains in units, with 162 and 83 stores, respectively. There were only eight Targets then and about the same number of Wal-Marts. The other leading discounters in stores midway through the 1960s were Arlans, 71 units; Interstate, 66; Woolco, 52; King's, 41; and Two Guys and Parkview-GEM, each with 33.

Chains Trading Up Merchandise

The growth in stores alone didn't account for the big jump in sales. A major factor was the attempt by many chains to trade up their merchandising to broaden their customer base by attracting higher-income consumers. Key to this effort was making their stores more appealing and easier to shop through the use of the newest fixtures that highlighted the better quality lines becoming available to discounters.

The industry's sales clout, along with the upgraded image of many chains, resulted by 1965 in increasing numbers of shopping center developers rolling out the welcome mat for discounters. While strip centers continued to be the industry's core location, discounters were becoming more successful in their drive to be included in new malls so they could benefit from the higher traffic.

Many discount stores started life in the early 1960s as partly or wholly leased operations. Even predominately company-operated chains like K mart included leased sections. As discounters became more mature in their merchandising, two trends became evident by 1966: Lessees started to merge to form one company to run a chain, while companies began taking over leased sections through either acquiring the lessee or adding buyers for these departments.

1967 to 1971: Industry Matures; Chains Go Public to Fuel Expansion

The discount industry grew up in the five years between 1967 and 1971.

Let's measure the ways:

- New entries. A dozen traditional department store companies and variety store chains boosted the ranks of the industry by launching full-line discount stores, while other retailers tested the catalog waters by starting up showrooms.
- Acquisition/mergers. Almost as many full-line discounters and catalogers were involved in either merger or acquisition deals, reflecting each type of discounter's efforts to strengthen its operation through the quick and low-cost takeover route.
- Going public. Wall Street's fascination with both types of discounters saw a handful of privately held chains turn to the stock market to fuel their expansion—and also deliver a handsome return to the original investors.
- Bullish investor interest in discounters. Stock analysts highly rated a number of full-line discounters, citing these chains' ability to get financial backing and expand.
- Changing of the guard. A new generation of executives moved into the top corporate offices of the full-line chains as the industry began to reap the benefits of raising discount-oriented management. The small catalogers, meanwhile, remained in the hands of the founding fathers.
- A trade association for full-line discounters was born in 1968, the Mass Merchandising Research Foundation, which changed its name to the National Mass Retailing Institute a year later.

But the good times didn't go on forever: A recession, tight money and high interest rates descended over the nation in 1970 and 1971, taking its toll among discounters and catalogers, including sending some chains into the bankruptcy courts.

The industry's maturity was symbolized in 1967 with the announcement by Federated Department Stores that it planned to launch a discount chain. The new Gold Circle, an upscale full-liner similar to Target, opened its first store in Ohio in 1968, the same year that two other traditional retailers disclosed plans to join the parade. Rich's opened two Richway stores in 1968 in Atlanta, while the May Co.'s Venture debuted two units in St. Louis two years later. May's announcement came when Target, up to then only located in the Twin Cities, expanded by opening a store in St. Louis and targeted Houston as a new market for 1969.

Caldor founder Carl Bennett (center) attends an opening in the '60s. (DSN photo)

The next year, 1970, saw a host of new full-line discounters besides Venture and Richway. Strawbridge & Clothier in Philadelphia started Clover, while three variety store chains launched discounters: J.J. Newberry unveiled Lee's in South Carolina, Danners opened 3D in Indiana and G.C. Murphy launched Murphy's Mart in Pennsylvania. Duckwall, another variety store operator, launched ALCO with three units in 1971.

While the discounters started by the four conventional department stores, along with ALCO, were successful, Lee's was eventually shuttered; G.C. Murphy was taken over by discounter Ames in 1985; and 3D, all that was left of Danner's, was acquired early in 1987 by Maxway.

While catalog showrooms still were a "secret" business during this period, the industry showed similar growth. Paul Schultz, who had been active in the showroom field, started coordinator Paul Schultz Catalogs in 1967, encouraged by Harold Roitenberg who in 1960 had founded what later became the premier group, Creative Merchandising. When all but one Creative Merchandising member left that coordinator in 1983, they joined Paul Schultz Catalogs as the Premier Merchandising & Marketing division.

Two showrooms operators made key moves in 1967. Brendle's—now one of the top five catalogers—opened a showroom in Winston-Salem, N.C. This second Brendle's unit marked the grocery company's conversion into a showroom operator, as the unit was open to the public and the duo resulted in management searching out a coordinator for its book, joining MAI the next year. Save-Rite, meanwhile, was spun off into a separate showroom division in 1967 by its parent, Daniels Tobacco.

As new companies entered full-line discounting, older chains went on an acquisition and merger binge as big companies gobbled up smaller operators. In 1967 alone, Zayre bought Shopper's World; Two Guys obtained Unimart and Food Giant; Gray Drug bought Bargain City/Rink's; and Gamble-Skogmo took Buckeye Marts. The next few years saw King's add Miracle Mart; Gaylords grab Giant Tiger; Daylin take over Wonder World; and Cook's acquire Clark's.

While these takeovers were hailed as positive steps when they occurred, in reality they hid a core defect in the discount business—the weak management and operation of many of the chains involved in the marriages. The larger discounter that resulted from a takeover operated more stores and recorded higher sales, but the wedding rarely added management expertise or better operational controls. Of these eight acquiring chains, only Zayre continues to this day, with the last remaining Cook's likely to be phased out this year.

The recession in the early 1970s resulted in the first concrete signs of the underlying weakness lurking in many chains showing up at three leading operators. Interstate, which rode two horses, Topps and White Front, and was a player in the takeover game, saw profits plunge and then turn to red ink. It sharply scaled down its discount growth in 1971, putting its muscle behind its toy specialty store operation which eventually became Toys "R" Us and the surviving firm when Interstate filed Chapter 11 in 1974.

Arlans, another giant, also spurted red ink and, in 1971, management of the chain was taken over by the much smaller Family Bargain Center, which then proceeded to close stores and cut expenses. But it wasn't enough, and Arlans also filed bankruptcy three years later.

Korvettes, which symbolized the industry, started a profit slide after its merger with Spartan Industry. Its latest owner, Arlen Realty and Development Corp., separated its retailing arm into the Korvettes and Atlantic divisons and tried a host of moves—all to no avail. The slide continued and Korvettes' last owner, a French company, phased out the chain at the end of the decade.

Wall Street Gets Interested

The goods times of the late 1960s that preceded the subsequent recession generated extensive Wall Street interest in all forms of discounting—and encouraged a number of companies to go public. Dayton's, the conventional department store chain, made the move in 1967 and said the funds would be used to bolster its Target arm. Joining in the trend were Alexander's in 1968 and Wal-Mart in 1970.

That year, 1970, can be fingered as the time catalog showrooms burst on the mass retailing and Wall Street investment scenes. It goes back to Best Products, which went public in 1970, and *Barron's* wrote a highly complimentary piece on the showroom industry. Going public the following year were Service Merchandise and Creative Merchandising, which took the name Modern Merchandising to better reflect its joint coordinator and showroom chain business.

The human side of the discount industry's growing up during the late 1960s can be seen in the executive changes. In 1968, for example, Eugene Ferkauf, who founded and symbolized Korvettes, left as the new Spartan Industries owners put its own team in place. Two years later, Harry Cunningham, who launched K mart, irreversibly changing an old line variety store chain, S.S. Kresge, into a discounter, turned over the chairman and chief executive office post to president Robert Dewar. May Co., meanwhile, tapped John Geisse, an architect of Target, to head its new Venture chain.

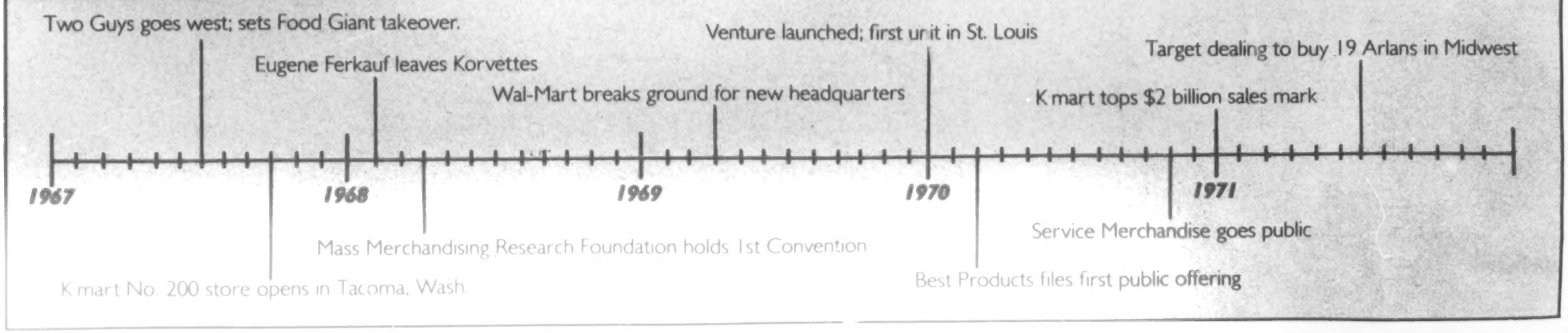
Finally, another sign of the industry's growing up during the 1967 to 1971 period: Dun & Bradstreet in 1969 said full-line discounter's $18.4 billion volume accounted for 5.8 percent of the nation's total retail sales. In that same year, K mart and Gibson became the first discount "billionaires" with sales of $1.25 billion and $1.1 billion, respectively.

1967

	Sales	Stores
Industry Total*	$ 13.6 bil.	3,005
K mart	1,340 mil.	215
Gibson	700 mil.	370
Korvettes	600 mil.	45
Interstate (Topps, White Front)	565 mil.	85
Zayre	400 mil.	112

*Full-line discount department store sales only

Source: Discount Store News


Two Guys goes west; sets Food Giant takeover.
Eugene Ferkauf leaves Korvettes
Wal-Mart breaks ground for new headquarters
Venture launched; first unit in St. Louis
Target dealing to buy 19 Arlans in Midwest
K mart tops $2 billion sales mark
1967
1968
1969
1970
1971
Mass Merchandising Research Foundation holds 1st Convention
K mart No. 200 store opens in Tacoma, Wash.
Best Products files first public offering
Service Merchandise goes public

1972 to 1976: For Discounters, It Was Best of Times, Worst of Times

The discount industry was on a roller coaster ride in the early '70s, as some full-liners reached new sales highs while others fell by the wayside.

As the 1970 to 1971 recession abated, full-line discounters seemed to be in position to attain new sales and earnings peaks. Chains added stores at a record pace while expanding their merchandising into such new growth categories as do-it-yourself and leisure living.

But a mini-recession hit the nation in the mid-'70s, intensifying the failure of weak discounters and even reaching out into the conventional retailing field by striking down W.T. Grant. Discounters, particularly K mart, catalog showrooms and the emerging specialty discounters quickly gobbled up many of the closed Grant units available after 1976.

The now grown-up, full-line discount industry hadn't escaped the first economic slide in the early '70s unscathed and during the next few years underwent a shakeout, as weak operators were acquired or folded.

Catalogers had started to become a significant retail segment by the mid-'70s, and when the mini-recession hit, some smaller and weaker showroom operators failed or were acquired by larger catalogers.

The recession had taught discounters two vital lessons.

One was that chains, having saturated most major metro markets, now had to turn to medium and smaller communities for expansion. These markets, however, required scaled-down stores and chains began paring their prototypes.

A 1972 *DSN* survey found that only 30 percent of new discounter stores opened that year were in the top 50 markets, down from 38 percent the year before. This situation, in part, reflected the fact that chains like Jamesway and Wal-Mart, whose expansion was starting to make an impact, operated in smaller markets with stores ranging between 35,000 square feet and 50,000 square feet.

Concurrently, major chains that typically ran units in the 70,000-square-foot to 100,000-square-foot range, like K mart, Zayre, Target, Two Guys, Giant and Mammoth Mart, unveiled scaled back stores for smaller markets.

Sol Price (left), ousted after FedMart's acquisition by a German retailer, went on to launch the Price Club in 1976—thus becoming the father of the membership warehouse club industry. (DSN photo)

The trend to smaller stores was clear by 1976, when units in the 40,000-square-foot to 50,000-square-foot range accounted for 35 percent of the new stores, more than any other size. This development was aided by K mart's unveiling of 125 Group Nine (40,000-square-foot) stores.

The other lesson was that the more competitive retail scene meant discounters, in order to survive, would have to market the latest merchandise and sharpen their operations, including using the latest technology.

Discounters in 1972 were starting to test hand-held tag readers that manufacturers were beginning to offer as auxiliary equipment to the electronic registers that were becoming the standard point-of-sale terminals. However, chains were holding back on making major commitments to the rapidly changing technology while they awaited development of standardized systems.

The contending marking methods were the existing supermarket industry-developed UPC bar code and a system using human-read digits being developed by conventional department stores, some discounters and general merchandise manufacturers working through the National Retail Merchants Association and the National Bureau of Standards.

When the NMRA/NAB system, called OCR-A, reached fruition by the mid-'70s, it received scant attention from discounters. Most were already selling UPC-marked basic items and consumables, but 10 years would pass until discounters, led by chains like K mart, Wal-Mart and Gold Circle, would begin point-of-sale scanning of UPC. The National Mass Retailing Institute, the industry's trade group, in 1986 adopted UPC as the preferred technology.

Discounters began using technology to solve other operational problems in the early '70s. Keying in sku numbers became common, and chains like Woolco, Zayre, and J.M. Fields began using courier services for overnight delivery to headquarters of stores' register tapes. By the mid-'70s, many discounters were getting overnight sales reports from their stores.

In more sophisticated moves, Korvettes, Zayre, Woolco, Fedco and J.M. Fields, as early as 1972, used stand-alone terminals to verify credit cards. Among catalogers, Service Merchandise in 1976 began using computerized order terminals with a cathode ray tube (TV screen). The unit showed clerks the stock situation of each item, and suggested alternate goods for out-of-stock merechandise.

On the marketing front, discounters phased in do-it-yourself departments to counter the advent of home centers as a new, fast growing full-price specialty retailer. Merchandising of such leisure living sections as consumer electronics and sporting goods also was beefed up in response to changing lifestyles.

The two recessions in the '70s saw over a dozen discounters fail, including leading operators like Arlans, Mammoth Mart, Interstate (Topps and White Front), Parkview-GEM and Unishops. Meanwhile, Mangles closed its Shoppers Fair discount arm and Zodys filed Chapter 11 in 1975 and then emerged a year later.

All told, about 500 discount stores were shut, but about 1,000 units, including recycled stores, were opened by the surviving chains. These discounters included K mart, Zayre, Target, Bradlees and Wal-Mart, along with chains like Two Guys, Woolco, Korvettes, Gemco, J.M. Fields and Gibson, that would later fail or be phased out. Other retailers recycled about 100 units.

While discounters were concerned about the shakeout in 1975, the industry, unknowingly, would be forever changed by a simple deal made then.

That year Hugo Mann, a German retailer, bought FedMart, with the goal of turning it into a hypermarket, the hot European discount retail format. It never happened and FedMart finally folded in 1982.

But shortly after Mann bought FedMart, the discounter's long-time president, Sol Price, was ousted. Price went on to launch a discount store that would borrow some hypermarket merchandising techniques like warehouse fixtures. In 1976, he launched the Price Club—and became the father of the membership warehouse industry.

The discount industry's shakeout in the early '70s didn't seemed to slow the start up of new discounters. In 1972, variety store operator Wacker opened five discount stores, apparel retailer Robert Hall launched Robert Hall Village, and three food retailers, Harvest Markets' Big H, Harris-Teeter's The General Store and Centeno started superstores that combined food and general merchandise. The following year Rayless, another apparel retailer, opened R-Way.

Market for Specialty Discounters

Paradoxically, the shakeout among full-liners during the early '70s made the seemingly stable showroom industry a more attractive retailing field. It also opened market niches for a new kind of discounter—specialty discounters that focused on a specific product category.

The catalog industry's trade group, the National Association of Catalog Showroom Merchandisers was launched early in 1972, a year flooded with new showroom chains.

Almost all the showroom industry's current major chains were born prior to the '70s. However, Consumer's Distributing (U.S.) only goes back to 1972, when May Department Stores, parent of discounter Venture, and a successful Canadian cataloger, Consumers Distributing, launched the U.S. chain as a joint venture. May three years later bought out CD (Canada)'s interest, only to sell CD (U.S.) to the Canadian cataloger in 1978.

Like catalogers, many specialty discounters started in the late '60s as small one- and two-store operations. By the '70s, the specialists were starting to carve out growing market shares.

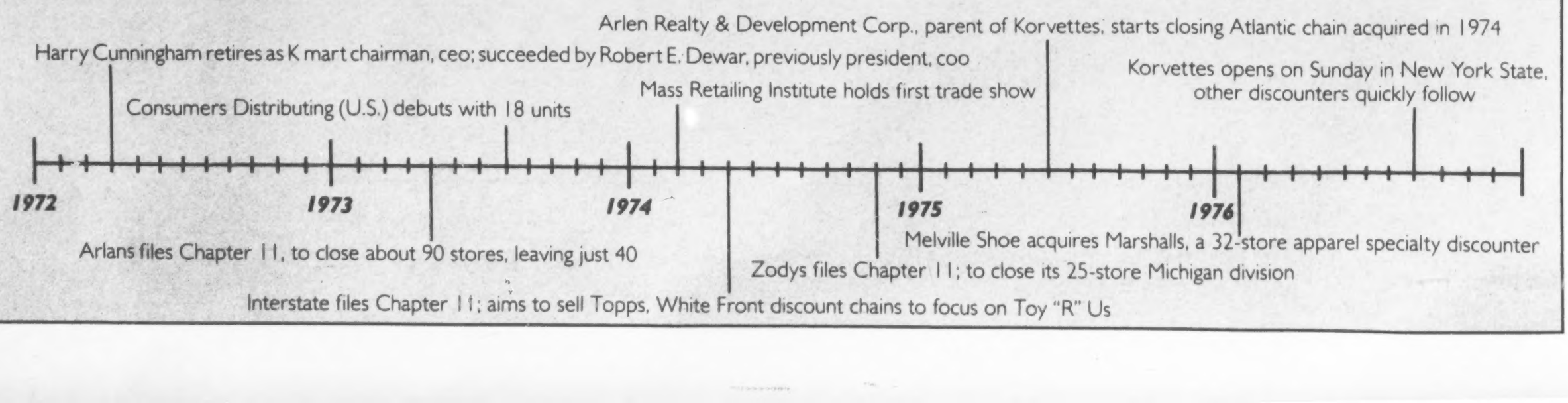
In the auto accesories area, for example, the top 10 chains in 1976 accounted for about $1 billion in sales, led by Western Auto with over $700 million. The top consumer electronics retailers accounted for over $500 million, with Lafayette, which was later acquired by Circuit City, the leader with almost $90 million in volume. The 10 leaders in the toys and the sporting goods area also accounted for about $500 million in each segment, with Toys "R" Us, at just under $200 million, heading the former, and Herman's, at about $100 million, topping the latter.

1972

	Sales (In Billions)	Stores
Industry Total*	$28.20	4,720
K mart	3.20	570
Gibson	1.70	595
Woolco	1.10	232
Zayre	0.89	230
Korvettes	0.70	52

*Full-line discount department store sales only

Source: Discount Store News


Harry Cunningham retires as K mart chairman, ceo; succeeded by Robert E. Dewar, previously president, coo
Consumers Distributing (U.S.) debuts with 18 units
Mass Retailing Institute holds first trade show
Arlen Realty & Development Corp., parent of Korvettes, starts closing Atlantic chain acquired in 1974
Korvettes opens on Sunday in New York State, other discounters quickly follow
1972
1973
1974
1975
1976
Arlans files Chapter 11, to close about 90 stores, leaving just 40
Interstate files Chapter 11; aims to sell Topps, White Front discount chains to focus on Toy "R" Us
Zodys files Chapter 11; to close its 25-store Michigan division
Melville Shoe acquires Marshalls, a 32-store apparel specialty discounter

25th ANNIVERSARY

1977 to 1981: Discounting Golden Age Sees Expansion, Diversification

In the late '70s, discounting entered its Golden Age. Full-line discounters were on a roll during this five-year period, gaining over 350 new stores per year. Individual chains strengthened their marketing through such moves as merchandising Levi's and designer jeans, gourmet cookware and name brand home sound systems.

They became the nation's dominant retailer of hard lines and were capturing a growing share of the apparel business.

But dark clouds could be seen through the golden rays. While there were a half dozen $1 billion-plus discounters, a large part of the segment's growth in the late '70s was due to the acquisition of weaker chains.

That period also saw the demise of a number of pioneering chains, including Korvettes, a venerated name that goes back to the late '40s and the industry's origins. It was phased out at the end of 1980, finally done in by its last owner, a French conglomerate that didn't know American retailing. Korvettes, however, had 'died' years before as it went through the hands of a number of companies, each of which had a different—often inconsistant—merchandising and marketing idea for the chain.

The catalog segment in the late '70s saw many of the founding chains grow and expand by opening new showrooms, culminating in Best Products becoming that industry's first $1 billion company in 1981.

But the industry wasn't a retailing utopia. Many new companies tried their hand at running a showroom during this period, but in the end almost all failed. The same fate awaited a number of undisciplined catalogers that couldn't stand up to the intensively competitive environment.

Specialty discounters, on the whole, fared better during this period. These retailers positioned themselves between high priced conventional department stores and full-line discounters. By focusing on growth categories like toys, consumer electronics and off-price apparel, the specialty discounters filled an overlooked marketing niche that allowed them to expand.

The late '70s saw one discount format blaze into the retailing skies: membership warehouses. Once Price Club's success became evident, entrepreneurial merchants cloned the concept and the membership warehouse industry entered a stage of rapid growth that carried into the later '80s.

One event played a crucial role in full-liners entering the Golden Age of the late '70s. That was W.T. Grant's bankruptcy in 1975 and the chain's subsequent closing. This made available to discounters a host of stores as well as former Grant customers whose demographics made them natural discount store shoppers.

FedMart president Heinz Gundlach (left), with executive vice presidents Bob Quayle and Dave Dolton (right) at opening of chain's hypermarket-style prototype in Houston in 1979. (DSN photo)

No other chain symbolized the industry as did K mart, which was until 1977 just the logo on discount stores run by S.S. Kresge, a variety store chain. For almost a decade, K mart was Kresge's dominant retailing business and that year it finally changed its corporate name to K mart Corp.

As the late '70s progressed, K mart passed the $10 billion sales mark in 1978, when its volume reached $11.2 billion. The list of billion-dollar discounters by that time also included Woolco, $2.6 billion; Gibson, $1.4 billion; and Zayre, $1.2 billion. In a few short years, four other chains joined the list: Wal-Mart, Target, Gemco and T.G. & Y., while Hills, Bradlees, Caldor, Fred Meyer and Meijer's were knocking on the door by 1981.

The industry's two-pronged growth in the late '70s saw chains fill in their core markets at the same time they extended tentacles into adjacent areas.

K mart and Woolco continued their national expansion while Zayre probed into Chicago and the Midwest. Regional chains, meanwhile, reached into adjoining markets: Target eyed a Sunbelt thrust from its upper Midwest base, Wal-Mart maintained its torrid expansion into the Southeast and upper Midwest from its South Central base and Bradlees moved south from the Northeast.

Store expansion alone didn't make the late '70s a Golden Age. In that time the successful discounters underwent some key changes. They upgraded their merchandising to keep pace with the greater expectations of their shoppers and improved efficiency by incorporating the latest retailing technology.

The merchandising changes centered on first expanding the apparel departments and then adding fashion goods and branded lines like Levi's and designer jeans to develop a fashion and value image. This set the stage for the next step, merchandising the latest fashion private label apparel. That move got underway in the early '80s and saw K mart, for example, first offer an exclusive Jonathan Logan line, to be followed by a variety of ladies' and men's brands in subsequent years.

Target, Caldor, Prangeway, Bradlees, Hills and Venture, among others, either were developing or had begun to sell private label apparel by 1981.

Zayre's approach was to have the entire store make a fashion statement and in 1977 it began using its Waltham, Mass., store as a laboratory for merchandising ideas and display techniques that were then fed into its other units. Zayre that year also recognized the potential of the emerging off-price apparel specialty field by launching T.J. Maxx, which eventually grew into a $1 billion chain in 1986. T.J. Maxx, along with Zayre's other specialty apparel businesses—Hit or Miss and Chadwick's of Boston—this year was spun off into a separate publicly held company, TJX Cos.

The groundwork for the computerized discount store of the future was laid in the late '70s through such milestone moves as Target in 1978 installing an automatic replenishment program that forecast the sales of individual items and recommended replenishment orders.

That year K mart began testing its K mart Information Network that used backroom computers to track sales by broad categories and transmit the information to headquarters. Later on, K mart tied KIN into a new computerized store replenishment system. In that program, clerks used hand-held equipment to read UPC bar code-marked shelf labels and then entered the reorder quantity.

Discounters in the late '70s took a wait-and-see attitude over whether they should mark merchandise using the supermarket-developed UPC marketing system or the department store supported OCR-A system.

Wal-Mart, however, in 1981 tested the UPC system using checkout slot scanners and wand readers. It then wasted little time in making a full commitment to bar code marked goods, within a few years requiring its suppliers to put UPC tags on as much merchandsise as possible.

The late '70s wasn't the best of times for all discounters. Poor merchandising and operations, along with such factors as bad sites, drove some chains into bankruptcy or made their sale to a stronger discounter a necessity.

In 1977, Robert Hall Village was phased out by its parent, a fate that awaited J.M. Fields, Mason's and Almart/Hunter two years later. Ames, meanwhile, bought Big N in 1979 as its first major expansion through acquisition, a move it would repeat with King's and Murphy's Marts.

Montgomery Ward, which had bought Jefferson Stores in 1973, became so enamoured with the discount concept that six years later it obtained almost two dozen closed discounters for Jefferson, along with planning to convert some Wards to that logo.

A year later, Ward obtained a dozen Philadelphia area Two Guys for Jefferson and said 115 Wards would

(Continued on page 82)

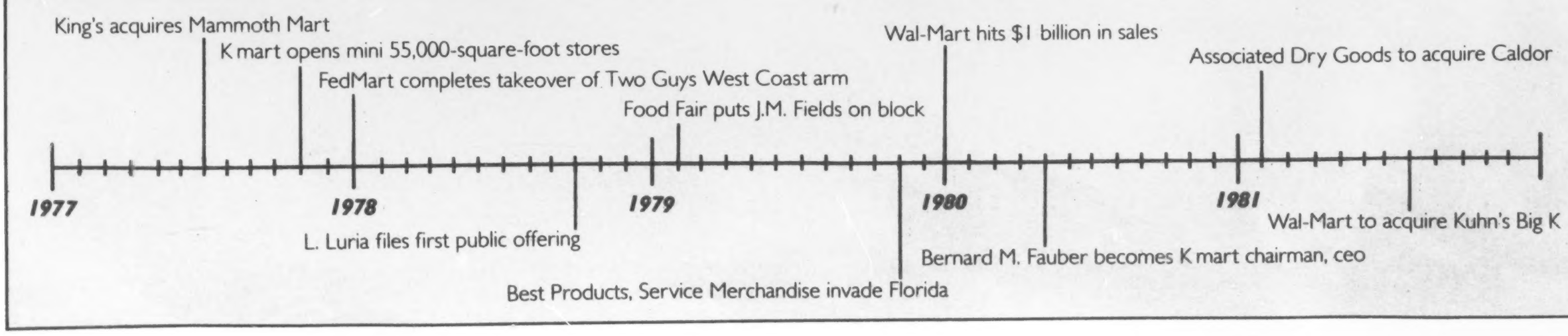
Herb Fisher (left), chairman, and Arlie Lazarus, president, Jamesway, on Wall Street in December 1981 after presentation to security analysts interested in the company's stock.

1977

	Sales (In Billions)	Stores
Industry Total*	$47.00	6,538
K mart	9.27	1,366
Woolco	2.44	367
Gibson	1.50	656
Zayre	1.09	255
Two Guys	0.83	82

*Full-line discount department store sales only

Source: Discount Store News


King's acquires Mammoth Mart
K mart opens mini 55,000-square-foot stores
FedMart completes takeover of Two Guys West Coast arm
Food Fair puts J.M. Fields on block
Wal-Mart hits $1 billion in sales
Associated Dry Goods to acquire Caldor
1977
1978
1979
1980
1981
L. Luria files first public offering
Best Products, Service Merchandise invade Florida
Bernard M. Fauber becomes K mart chairman, ceo
Wal-Mart to acquire Kuhn's Big K

1982 to 1987: Diversification, Technology Drive Discounting in the '80s

Diversification has been the hallmark of the discount industry in the '80s.

The industry's divergence into different discount segments was driven by a number of separate but interrelated developments:

- The nation's growth in population and wealth resulted in a marked increase in the number of middle and upper income consumers. This spurred major lifestyle changes as consumers' buying habits switched from basics to fashion apparel and home goods, as well as the new products spawned by the technological revolution in electronics.
- Conventional department stores, targeting the expanding upscale customer market, relinquished the selling of hard goods to discounters and, instead, focused their merchandising on fashion goods in the apparel and home products areas.
- The contraction among full-line discounters and catalog showrooms, triggered by the recession in the late '70s, continued without letup, often striking down chains that go back to the early days of each discounting segment.
- Aided by the fallout among full-liners and catalogers, specialty discounters captured a growing share of the mass retailing market. These category-targeted merchants carved out bigger market shares by the traditional retailer routes of either expanding their operation or acquiring smaller chains.
- Technology sparked the development and growth of non-store retailers, including the launching of new electronic discounters who use cable TV, computers and/or kiosks to directly market goods to consumers.

While the roots of the discount industry's contraction and divergence go back to the late '70s, the full impact became evident by 1982 and peaked in 1986.

The industry's fluctuation saw the full-line segment contract into a core of about 50 major discounters by 1987, about one-third the number at the start of the decade. It also witnessed large jumps in the sales of the surviving discounters along with major shifts in the lineup of the industry's leaders as they acquired weaker competitors.

In 1982, K mart, Wal-Mart and Target were the leaders with sales of $16.5 billion, $2.5 billion and $2.1 billion, respectively. The trio remained the powerhouse discounters right through the '80s, with sales last year of $22.1 billion, $10.2 billion and $4.4 billion, respectively.

Sales, however, are only one indication of the leadership position staked out by these three discounters. Other signs include their extensive use of the latest retailing technology like point-of-sale scanning of UPC-marked merchandise and satellite communication networks, along with thrusts into new retailing ventures like Wal-Mart's launching of Sam's membership warehouses in 1983 and K mart's 1984 acquisition of the Builders Square home centers.

Offering the Latest Fashions

Just as important, the sheer size of these chains has enabled them to pick off top retail sites and make manufacturers highly responsive to their marketing demands. Not to be overlooked is the fact that the trio has also traded up their merchandise to keep pace with the changing lifestyles of their customers, including offering the latest fashions in apparel and home furnishings.

Where once the list of leading discounters was almost exclusively full-liners, now the top 100 chains include the Price Club and eight other membership warehouses, Service Merchandise and four other catalog showrooms, Consolidated Stores and another closeouter, and 44 specialty discounters. Leading the specialty segment are Toys "R" Us in the toy field, Marshalls in apparel, Circuit City in consumer electronics, Western Auto in auto accessories and Herman's in sporting goods.

Shrinkage in Industry

Missing from the 1986 lineup of top full-liners were such 1982 powers as Woolco, Gemco and T.G. & Y., the next three sales leaders, along with eight long established chains: Jefferson/Ward, Zodys, Howard Bros., Murphy's Mart, King's, Grand Central, Gaylords and Magic Mart.

The shrinkage among full-line discounters hit its peak in 1982, when Woolco, FedMart, Twin Fair and May's Family Center closed, while J.W. May's, Maloney's, Zodys, King's and Howard Bros. filed Chapter 11, with the latter three eventually folding. These failures dumped close to 300 stores on a glutted market, so that units went to a variety of retailers and other users. Target was a big gainer, taking over 33 FedMarts, including 28 in Southern California to mark its entry into that market area.

Operational troubles also became evident that year at other major discounters like Cook United, Gemco/Memco and T.G. & Y. The demise of these discounters, however, was spread out over a number of years and actually helped boost the growth of surviving discounters, which took over stores, and in some cases, troubled chains, as a fast, low cost way to expand.

In 1982, for example, Memco's was shuttered and its stores, all in the Baltimore/Washington area, were taken over by Bradlees; within four years troubled Gemco on the West Coast would be closed by its supermarket parent, Lucky Stores, as that company sharply scaled back its operations to fight off an unfriendly takeover. Lucky also sold off its other non-food operations: Checker Auto specialty stores, White Front convenience discount stores and Hancock Fabrics.

Target took over 50 Gemcos, opening about two dozen in Southern California to become the dominant discounter in that area. Another dozen are to open in Northern California later this year to mark Target's entry into that market.

Ames, meanwhile, acquired bankrupt King's and its 42 stores in 1983 and three years later bought Murphy's Mart, another discounter facing an unfriendly takeover. The latter move almost doubled Ames' sales to $1.5 billion in 1986, along with putting the discounter into the variety store business with over 100 G.C. Murphy units that it has retained.

Two billion dollar-plus T.G. & Y. was phased out in 1986 as a discounter when the company was acquired by the McCrory variety store conglomerate. Maloney was acquired in 1985 by Heck's shortly before that discounter ran into problems, eventually filing Chapter 11 early in 1987. Cook, meanwhile, went into Chapter 11 for the second time early this year.

Deals Among Catalogers

On the cataloger side, a similar story was being played out. The blockbuster deal in 1982 was Best Products, the leading cataloger, acquiring Modern Merchandising, the No. 3 company which ran six different chains along with Creative Merchandising, the leading coordinator. Best's move came shortly after it took over troubled cataloger Basco.

Not to be outdone that year, Service Merchandise, the second largest showroom operator, acquired two Kessler showrooms, along with Sam Solomon, a top 10 chain which had technically just come out of Chapter 11. Service pulled off a blockbuster deal in 1985 when it took over H.J. Wilson, the No. 3 cataloger.

Sutton Place, started by the now defunct discounter Two Guys, closed in 1982. Two years later, Towers, the last cataloger founded by a discounter, was sold to Service Merchandise, paving the way for the showroom's parent Gaylords to be acquired six months later by discounter Zayre.

Best's 1982 acquisition of Modern Merchandising eventually resulted in a major catalog industry realignment. To concentrate on its core showroom business, Best sold Creative Merchandising the following year to conglomerate Carlson Cos., parent of cataloger Ardans. Carlson's commitment to the showroom industry, however, was questioned by all the Creative Merchandising members, except Ardans, and these 14 catalogers then left the group, joining Paul Schultz Catalogs. Carlson, which had been scaling down Ardans during the early '80s, finally threw in the towel in 1986 and shut the remaining units.

The showroom industry's contraction in the '80s saw such weak major catalogers like Century House and Broadman's just this year fold while over 50 mom-and-pop operations and small chains either closed or converted to jewelry stores. This trend also affected the coordinator end of the business, forcing the closing of smaller groups like Federated Merchandising and driving larger coordinators to merge: Charter Catalog and George Associates forming Associated Charter, for example, while the larger chains within Mutual Merchandising joined MAI.

Specialty Discounters Boom

While the full-line and showroom segments of the discount industry were undergoing these extensive changes, the specialty discount portion was booming. The reason: These specialists offered consumers a broader selection in a focused category than did full-line discounters or catalogers, with the merchandise competitively priced.

The dozens of companies that compose the specialty discounter field have varied histories, with some even extending back to the discount industry's early days when they were leased department operators like Wards, the predecessor of Circuit City, or Toys "R" Us, which was acquired by discounter Interstate Stores and survived that company's bankruptcy.

Membership Warehouses Grow

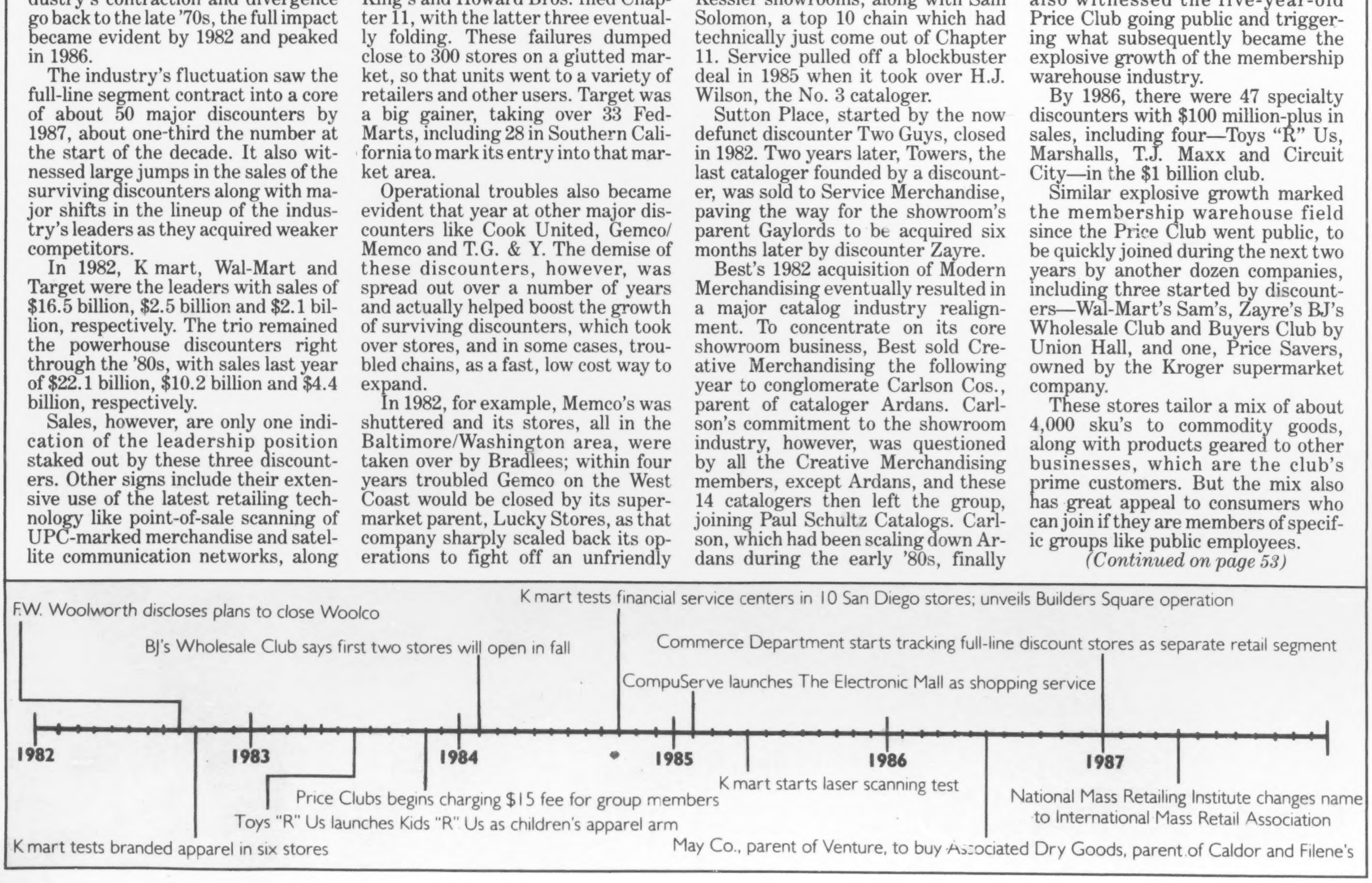
Specialty discounters came of age in the early '80s and by 1982 there were a dozen and a half chains with $100 million-plus in sales. That year also witnessed the five-year-old Price Club going public and triggering what subsequently became the explosive growth of the membership warehouse industry.

By 1986, there were 47 specialty discounters with $100 million-plus in sales, including four—Toys "R" Us, Marshalls, T.J. Maxx and Circuit City—in the $1 billion club.

Similar explosive growth marked the membership warehouse field since the Price Club went public, to be quickly joined during the next two years by another dozen companies, including three started by discounters—Wal-Mart's Sam's, Zayre's BJ's Wholesale Club and Buyers Club by Union Hall, and one, Price Savers, owned by the Kroger supermarket company.

These stores tailor a mix of about 4,000 sku's to commodity goods, along with products geared to other businesses, which are the club's prime customers. But the mix also has great appeal to consumers who can join if they are members of specific groups like public employees.

(Continued on page 53)


F.W. Woolworth discloses plans to close Woolco
BJ's Wholesale Club says first two stores will open in fall
K mart tests financial service centers in 10 San Diego stores; unveils Builders Square operation
Commerce Department starts tracking full-line discount stores as separate retail segment
CompuServe launches The Electronic Mall as shopping service
1982
1983
1984
1985
1986
1987
K mart tests branded apparel in six stores
Toys "R" Us launches Kids "R" Us as children's apparel arm
Price Clubs begins charging $15 fee for group members
K mart starts laser scanning test
May Co., parent of Venture, to buy Associated Dry Goods, parent of Caldor and Filene's
National Mass Retailing Institute changes name to International Mass Retail Association

1982 to 1987: Diversification, Technology Drive Discounting in the '80s

(Continued from page 47)

Price Club's $100 million business in 1982 in four years quickly grew to an $11 billion membership warehouse industry, with Price Club, at $2.6 billion and Sam's, at $1.7 billion, the leaders, and another half dozen with volumes ranging from $747 million down to $157 million. Besides Price Club, Costco, PACE, the Wholesale Club and the Warehouse Club have gone public within the past two years, while Super Savers was in the process of doing so earlier this year before being acquired by Wal-Mart.

Warehouses Lead to Hypermarkets

Consumers interest in shopping in membership warehouses has affirmed the idea of some retailers that a similar mass display format common in Europe—hypermarkets—could be successful on the American retail scene. Discounters Fred Meyer, Meijer and Lloyds already use common checkouts for food and general merchandise in the same manner as do hypermarkets.

America saw its first true hypermarket when Biggs was launched in 1984 in Cincinnati by a group of companies that included Euromarche, a leading French hypermarket chain, and Super Value Stores, the supermarket parent of discounter ShopKo. Growth pains resulted in Biggs remaining static with one unit since then, but it's due to open additional units starting in 1988.

By then, Biggs should have plenty of company, as at least two other hypermarkets are due to be opened. Carrefour, the founder of the concept and leading hypermarket operator, plans to open its first American store later this year in the Philadelphia area to lead off a projected chain in the Northeast.

Discounter Wal-Mart, meanwhile, has formed Hypermart USA, in a joint venture with supermarketer Cullum Cos., and plans to open its first unit later this year. On its own, Wal-Mart plans to open Wal-Mart Super Centers which will follow the core hypermarket formula of a combined food and general merchandise unit. The discounter will use these stores as its growth vehicle in major metro markets, retaining the tradition Wal-Mart format for suburban and rural areas.

The most radical retailing diversification has been the development and growth of electronic marketers during the past two years. While cataloger Consumers Distributing, for example, was part of a computer information and marketing test in Canada in 1982, electronic retailing also started to make a impact during the past two years.

Teleshopping is Key Format

The key format is teleshopping—buying goods at home from programs aired on cable TV channels and broadcast TV stations. This type of retailing has been probed for a number of years, but the first successful operator was Home Shopping Network, which started out as a local St. Petersburg cable show in 1982, went national in 1985, and became a public company a year later. HSN this year branched out into broadcast TV by buying about a dozen stations as cable TV operators began to pick up teleshopping shows from other companies.

HSN's success has attracted a host of marketing clones, with four main competitors. Cable Value Network was started in 1986 as a joint venture between closeouters C.O.M.B. and Tele-Communication Inc., the largest cable TV operator, and was subsequently joined by 17 other cable companies. CVN grew to dominate C.O.M.B. and the closeouter this month swallowed up its teleshopping subsidiary by giving the cable firms warrants to buy stock in a revamped C.O.M.B., now called CVN Cos.

Traditional retailers have put their hands into electronic retailing, particularly video merchandising.

A K mart division, the Ultra Buying Network, this year began supplying all the goods except for consumer electronics to the Consumer Discount Network, a teleshopping show launched last year by Entertaining Marketing, a CE and computer closeouter.

Sears Roebuck is supplying some of its merchandise to QVC, another teleshopper started last year, while cataloger L. Luria is sourcing goods for Bargain Hunter, a combined teleshopping and game show for broadcast stations that began airing on the ABC-TV network two months ago. Dayton Hudson, meanwhile, ran a 13-week test merchandising goods from its department store arm and then called off the show on broadcast TV stations when the results failed to meet its expectations.

J.C. Penney is the retailer most heavily committed to electronic retailing. It is financing Shop TV, which is due to start airing next month, along with handling fulfillment and distribution for the show. The conventional department store also plans to launch an interactive cable shopping service called Telaction, this fall. Consumers will be able to use their phone to first access a host of retailers and service suppliers, including Penney, Marshall Field, Nash Finch supermarkets and American Express, and then order goods. A competing interactive service is due to be launched next year by General Telephone and Electronics, whose partner at one time was Penney. Penney later joined up with a Canadian firm, Cableshare, to develop the Telaction technology.

Next year will also see the startup of Trintex, an interactive computer shopping and information service that is a joint venture between IBM and Sears. Trintex employs a text and graphics technology called teletex, which had been used by failed pioneering computer shopping and information services like Viewtron and Gateway, along with more targeted computer services like CompuServe whose menu includes the Electronic Mall as its retailing offering.

1982

	Sales (In Billions)	Stores
Industry Total*	$72.60	8,282
K mart	18.44	2,125
Wal-Mart	3.50	555
Target	2.40	167
Woolco	2.26	329
Gemco	1.92	92

*Full-line discount department store sales only

Source: Discount Store News

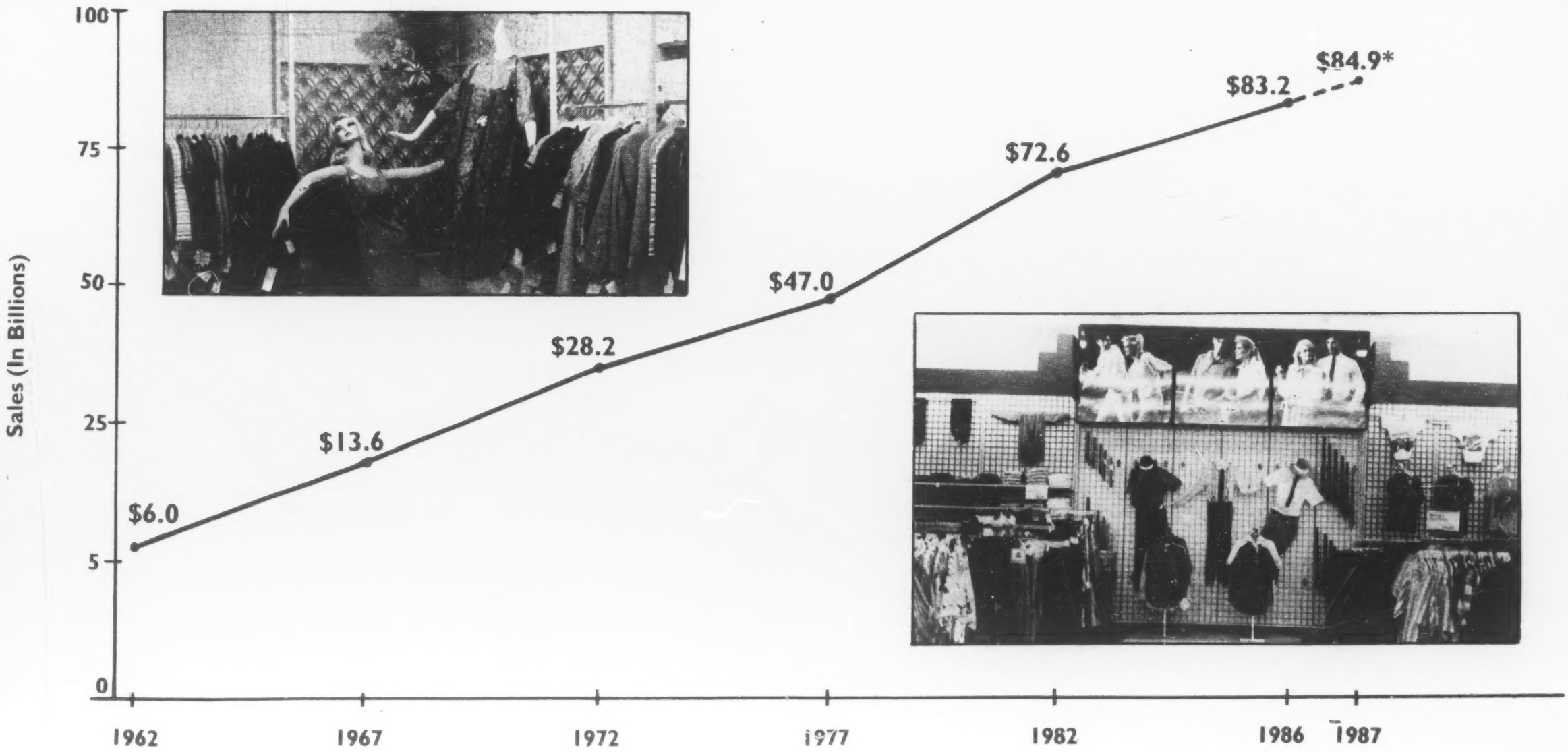
1986

	Sales (In Billions)	Stores
Industry Total*	$83.20	8,272
K mart	22.11	2,204
Wal-Mart	10.20	980
Target	4.36	246
Zayre	3.05	362
Bradlees	1.90	162

*Full-line discount department store sales only

Source: Discount Store News

Discount Department Store Sales: 25 Years of Growth



*Projection

Source: Discount Store News

Increased Floor Space Needed for Men's Wear, Chains Report

Nationwide DSN Report

A more sophisticated and individualistic attitude of today's male consumer toward casual dressing has dramatically impacted men's wear departments at full-line discount and off-price apparel stores.

From increased open-to-buys for younger, fashionable and relaxed sportswear categories to the way fashion products are being merchandised at store level, young men's and men's wear executives are reacting in increasing numbers to the new lifestyle attitudes of their male customer.

A confidential poll conducted exclusively for *Discount Store News* by Jerard Less Inc., a New York-based retail apparel consultant, revealed that 67 percent of all respondents rated as "very important" or "important" such customer attitudes defined as "a . . . relaxed, casual attitude towards dress" that expresses "his [the customer's] individuality," along with the attitude that "no single style approach determines the way he dresses."

The poll of vice presidents, general merchandise managers, divisional merchandise managers and buyers of men's wear at 27 discounters and off-pricers, representing close to 4,500 individual units across the country, also found that an overwhelming majority of these executives felt an increase in square footage was necessary as well as overdue. They said that they could easily maximize any increase in floor space in their respective departments.

A majority of the merchandisers surveyed said that these new attitudes of a growing customer base are having an influence on sales at their stores. Hence, they are buying with that in mind. As one executive put it, "The definition of men's is no longer categorized by age or gender. [It's an] open market."

The nationwide survey also uncovered a strong negative reaction to the Men's Apparel Guild in California (MAGIC) show's move to Las Vegas in fall 1989. As many as 85 percent of the respondents said they were against the move, citing two major reasons: There are considerably fewer retail stores to view in Las Vegas, and Las Vegas is not conducive to a business environment, which will make the trip more expensive.

However, when asked whether they were planning to attend MAGIC in Las Vegas two years from now, 76 percent said they would. That compares to the 82 percent who said they will be at this month's show. The 6 percent who said they plan to forgo MAGIC in Las Vegas are buyers from the larger chains (50 or more units), which indicates that MAGIC isn't as important for them as it is for the smaller chains (under 50 units).

Overall, the survey showed that many discount store and off-price men's wear merchandisers feel they have to be as tuned-in to their more trend-conscious customers as their department store counterparts.

Specifically, 68 percent of the respondents said that spring and fall 1988 open-to-buy will increase for categories of relaxed, casual sportswear. When asked what percentage of their total mix in men's and/or young men's departments is "fashion" merchandise, the responses averaged out to 41 percent, with smaller chain buyers reporting a predictably higher 45 percent, while larger chain buyers identified 37 percent of their men's apparel mix as "fashion" merchandise.

There is even a greater discrepancy between smaller chains and larger chains when it comes to breaking out a separate young men's department from men's—10 retailers from the smaller chain group vs. just five from the larger chain group separate young men's from men's, the survey found.

When it comes to the competition, K mart—with 11 acknowledgments—was cited most when merchandisers were asked who they view as their primary competition in the men's wear market.

The No. 2 men's wear competitor, with six mentions, was Wal-Mart. The balance of responses was equally distributed among Target, Bradlees, J.C. Penney, Mervyn's and Hills, among others. Also of note is that three buyers from the larger chain group cited department stores as being their primary competition.

Merchandise display and strategies were diverse in the men's departments of discounters and off-pricers. Individual verbatim responses included, "We simply display by styles," "First by style, then color and size," "By classification and color," and "Basics by size, fashion by style," among others.

In terms of selling space, while merchandisers said they thought more square footage was needed, 74 percent of the respondents said no changes in space are planned for the next 12 months.

However, six stores from the smaller chain group (representing 46 percent of the respondents from that group) said that floor space increased over the past 12 months by 10 percent to 15 percent. The classifications getting more emphasis were: big and tall, men's tops, young men's (bridge) and young men's.

The poll also revealed that merchandisers at the smaller and larger chains rated brand names "very important" (43 percent) or "important" (27 percent) for their departments. Twenty-one percent rated brands "somewhat important," and the remaining 9 percent said brands were "not important."

As many as six specific important and/or sought-after brand names were mentioned: McGregor, Lee, Levi, Arrow, Campus and Manhattan.

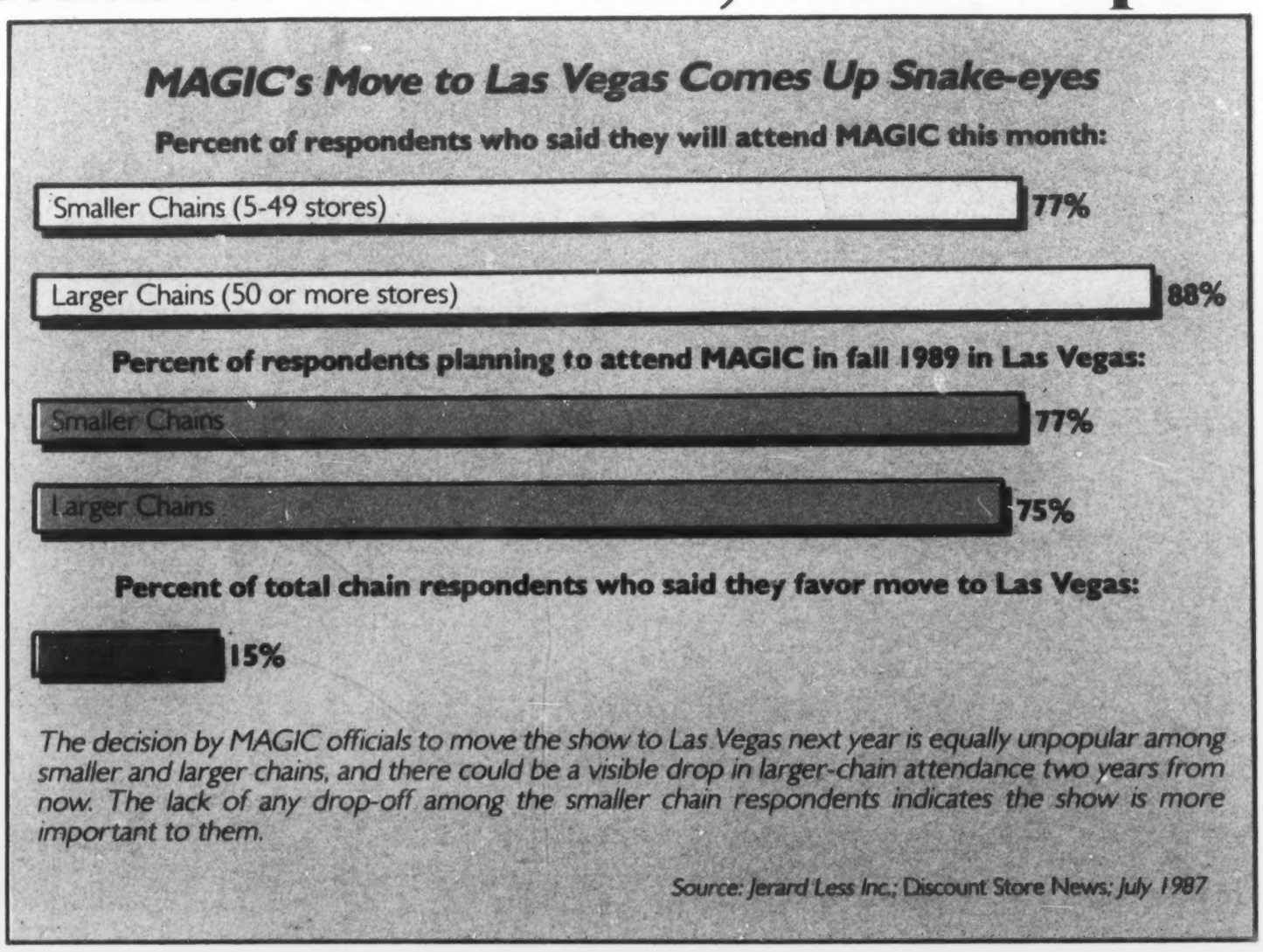
In addition, 77 percent of all respondents said that their customers asked for particular brand names in their departments. These merchandisers agreed that brands are a major factor in creating customer interest and are an attraction to other merchandise.

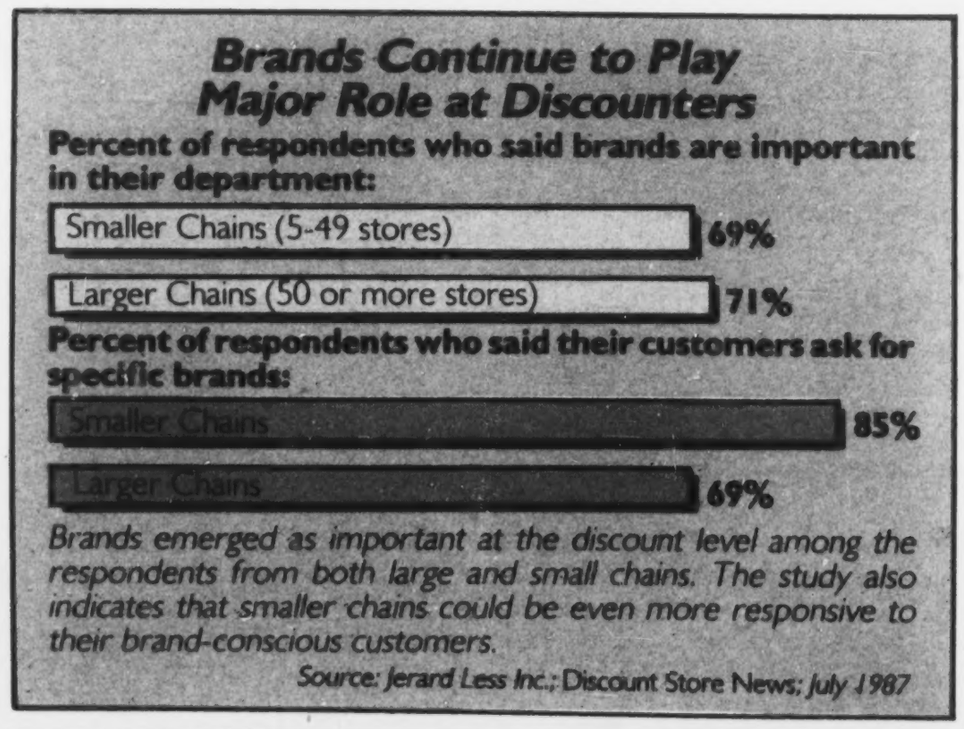
It was also found that men's wear merchandisers at the discount level are following quickly in the footsteps of the specialty and department store in their emphasis on the current hot "prewashed" look, oversized and full-cut goods and tastier, dressier looks.

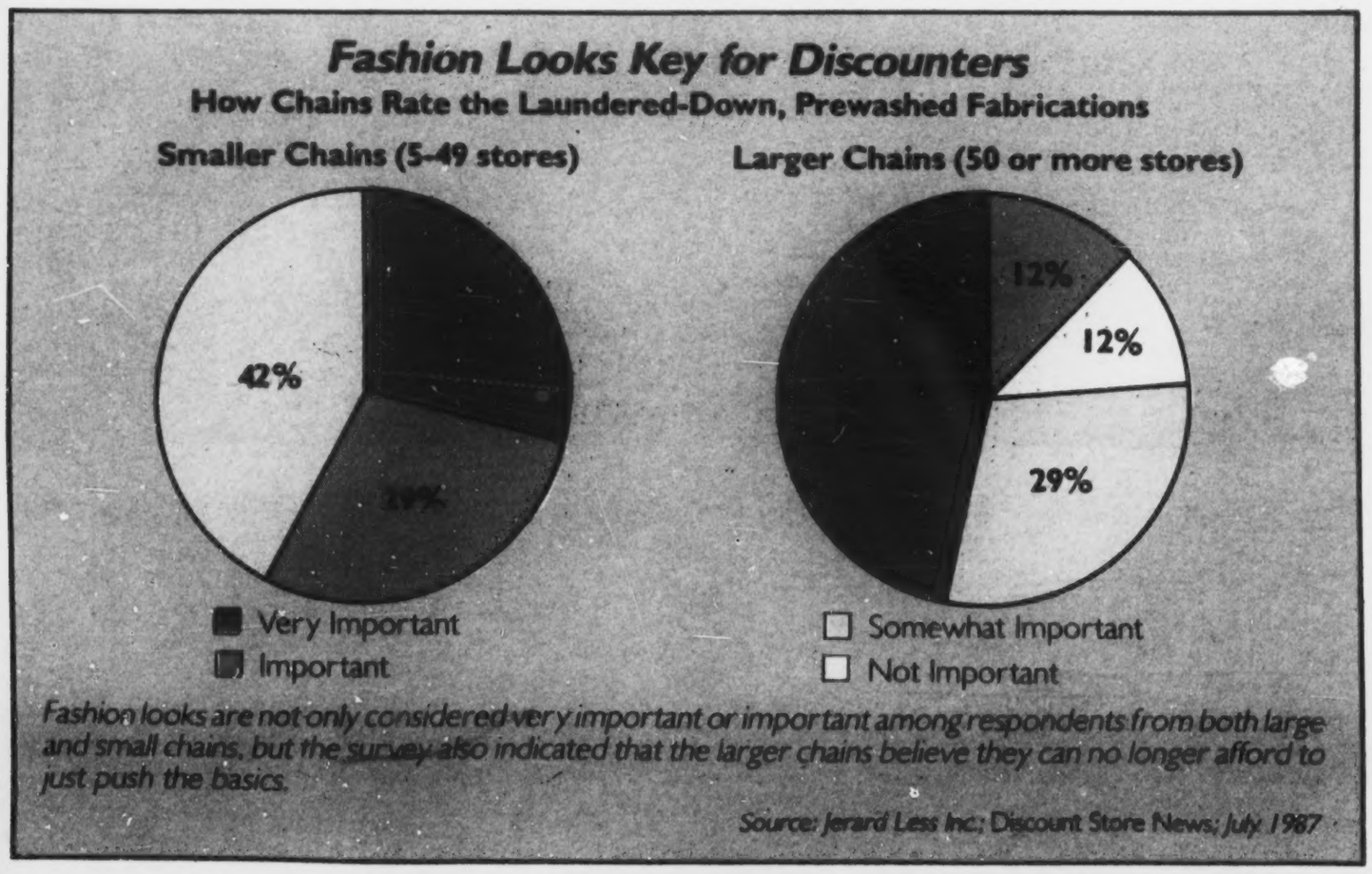
Particularly interesting is that more of the larger chain group respondents rated laundered-down, prewashed fabrications as "very important" (47 percent) than did their smaller chain counterparts (29 percent). This indicates that the larger chains, who in the past were usually less responsive in terms of fashion looks compared to smaller chains, are no longer standing on the fashion sidelines.

Among other findings of the survey:

- 64 percent of all respondents said they have increased their open-to-buy for spring 1988 on oversized, full-cut garments;
- 62 percent said the trend of more dress looks will be reflected in their fall 1987 and spring 1988 assortments;
- Dressier looks—defined for the survey as tastier piece goods and/or non-traditional silhouettes—are gaining and remain strong through the spring.


MAGIC's Move to Las Vegas Comes Up Snake-eyes
Percent of respondents who said they will attend MAGIC this month:
Smaller Chains (5-49 stores)
77%
Larger Chains (50 or more stores)
88%
Percent of respondents planning to attend MAGIC in fall 1989 in Las Vegas:
Smaller Chains
77%
Larger Chains
75%
Percent of total chain respondents who said they favor move to Las Vegas:
15%
The decision by MAGIC officials to move the show to Las Vegas next year is equally unpopular among smaller and larger chains, and there could be a visible drop in larger-chain attendance two years from now. The lack of any drop-off among the smaller chain respondents indicates the show is more important to them.
Source: Jerard Less Inc.; Discount Store News; July 1987


Brands Continue to Play Major Role at Discounters
Percent of respondents who said brands are important in their department:
Smaller Chains (5-49 stores)
69%
Larger Chains (50 or more stores)
71%
Percent of respondents who said their customers ask for specific brands:
Smaller Chains
85%
Larger Chains
69%
Brands emerged as important at the discount level among the respondents from both large and small chains. The study also indicates that smaller chains could be even more responsive to their brand-conscious customers.
Source: Jerard Less Inc.; Discount Store News; July 1987


Fashion Looks Key for Discounters
How Chains Rate the Laundered-Down, Prewashed Fabrications
Smaller Chains (5-49 stores)
Larger Chains (50 or more stores)
42%
29%
12%
12%
29%
Very Important
Important
Somewhat Important
Not Important
Fashion looks are not only considered very important or important among respondents from both large and small chains, but the survey also indicated that the larger chains believe they can no longer afford to just push the basics.
Source: Jerard Less Inc.; Discount Store News; July 1987

Methodology for Study

NEW YORK — This Jerard Less/*Discount Store News* survey is based on telephone interviews with men's and young men's wear vice presidents, dmms, gmms and buyers at 27 general merchandise discount and off-price apparel chains nationwide. The phone calls, placed July 6 to 24, 1987, were preceded by letters and written questionnaires sent out the previous month. Respondents were promised complete anonymity.

Home Office Category Leads Growth in Stationery Depts.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	WRITING INSTRUMENTS			
1	Faber 10-pack Pencils Pegged, 13649	62,969	0.59	37,164
2	Crayola Markers Broad, 770B	9,588	2.59	24,833
3	Carter Marks-A-Lot Black, 1788B	35,932	0.69	24,793
4	Papermate 10-Pack Pens Med Blue, 98134	14,262	1.69	24,103
5	Papermate 10-Pack Pens Med Black, 93334	14,192	1.69	23,984
6	Bic 10-Pack Pens Blue, MS101	12,233	1.69	20,674
7	Crayola Soft Light Fine, 7718	7,265	2.59	18,816
8	Bic 10-Pack Pens Black, MS101	11,599	1.69	19,602
9	Pentel Erasable Marker Broad, 66012	11,851	1.49	17,658
10	Bic Round Stick Blue 10-Pack, GSMP	10,994	1.49	16,381
11	Papermate Power Pt. Profile Slim, 14164	5,129	3.19	16,362
12	Papermate Power Pt. Profile Reg., 142	4,773	3.19	15,226
13	Crayola Soft Light Broad, 7716	5,636	2.59	14,597
14	Shaeffer Cartridge Pen Blue, 14900	4,852	2.69	13,052
15	Papermate Contour Grip Pen, 36004	4,598	2.69	12,369

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	FLAT SCHOOL			
1	Filler Paper Wide 200-ct., 10200	91,228	0.79	72,070
2	Mead Super Shades Binder, 29612	5,688	5.99	34,071
3	Mead Trap. Keeper Binder, 29096	5,457	5.99	32,687
4	Mead Trap. Keeper Design Binder, 29100	4,678	5.99	28,021
5	Filler Paper Narrow 200-ct.	28,661	0.79	22,642
6	Mead 5 Star 3-Subject, 150-ct., 11x8	5,565	3.39	18,865
7	Mead Glare Theme Col. 3-Sub., 150-ct.	6,190	2.97	18,384
8	Mead 5 Star Theme 2-Sub., 100-ct.	7,934	1.99	15,789
9	Mead Color Track 70-ct. Theme Book	28,700	0.49	14,063
10	Mead 5 Star 5-Subject, 200-ct., 11x8	3,353	3.97	13,311
11	Majestic 1½-in. Canvas Binder Cl, 20177	4,105	3.19	13,095
12	Mead 5 Star Theme College, 9x6, 100-ct.	8,427	1.53	12,893
13	Peanut's ABC Tablet, 1804	14,842	0.79	12,021
14	Mead Super Shades Portfolio, 33114	14,842	0,79	11,725
15	Mead Theme Varsity,100-ct.	8,399	1.19	9,995

Continued on page 139

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A Hallmark Company

By Charles Bowlus
Executive vp, sales
Boston Distributors

The home office category continued to lead the stationery department's growth in the first half of 1987 with file boxes and desk accessories edging out flat office products in terms of both total dollar sales and percentage increases.

Colors remained the dominant merchandising theme of the department with peach, mauve and bright colors enhancing established product lines.

Brush's Sentry fire retardant security chest at a $23.69 price point led the product movement audit of file box and desk accessories, but the Rubbermaid line has made the difference in sales thus far in 1987.

Rubbermaid Leads Desktop

Rubbermaid's desktop system took the No. 2 spot, and the box office in gray and slate blue captured No. 3 and No. 4, respectively. In all, Rubbermaid landed seven of the top 15 spots. The manufacturer's recent launch of the line in mauve will help it to continue this high-volume trend through the remainder of the year.

Rubbermaid's gains on the PMA have come primarily at the expense of Esselte, which did manage to place its Keep-It file seventh and File-It, in brown and yellow, in the No. 10 and No. 11 spots.

A peach color launch and the introduction of Deco-Ends and Deco-Rack Junior will be promoted by Esselte during the second half, putting the manufacturer high on the charts.

In the flat office category, the primary growth has come from Mead's Cambridge and Matrix lines. The professional trapper notebook ranked No. 6 on the PMA, followed by the smaller personal size at No. 7 and the portfolio with handles at No. 8.

Heavy housekeeping and signing are needed for the success of the Matrix line, sales of which vary widely depending on the market area. Store locations where small business offices are scarce will find movement of Matrix products to be stagnant.

The writing instrument category was again led by Faber's 10-pack pencil at a price point of 49 cents; back-to-school prices should fall to three for $1.

The launch of washable markers and colored pencils by Crayola should have immediate consumer acceptance and boost the vendor's market share during the back-to-school season. Crayola captured the No. 2 spot in writing instruments during the first half of this year with its broad-tip sku. The new Soft Light Marker also scored well early this year; the fine tip tallied

(Continued on page 139)

Home Office Category Leads Growth in Stationery Depts.

(Continued from page 137)
the sixth-highest volume in the category, and the broad tip landed the No. 13 spot.

Papermate edged out Bic for top commodity pen honors; the blue 10-pack was fourth on the chart, and the black ink pen was fifth. Papermate's high-end entries have done well in the first half of 1987, with power points taking No. 8 and No. 10 and contour grip placing No. 14. Carter again led the individual marker segment with Marks-A-Lot black taking the No. 2 position.

Despite manufacturer price increases, back-to-school pricing will be held pretty much to last year's level due to heavy market competition and consumer expectations. The flat school PMA was led by 200-count filler paper in the wide margin at a non-seasonal retail of 79 cents. Back-to-school prices are expected to range from four for $1 to two for $1.

Mead's new Super Shade binder jumped all the way to the No. 2 spot, followed by Trapper Keeper and the Trapper Keeper designer series. Super Shade's success had prompted Mead to expand the line to include filler paper, themes and memos.

The good news in flat school is the continued strength of the higher-ticket and higher-profit 5 Star and Clare Care lines from Mead. Basic commodity items did not fare well on this PMA as 70-count theme fell to No. 9, and 100-count Varsity theme dropped to No. 15. As the back-to-school season approaches, the commodities will, of course, come back into dominance.

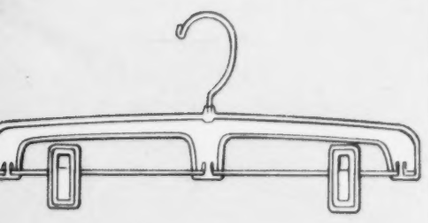
Discounters devoting space to the home office category will capitalize upon the great potential of this department. Boston Distributors recommends sections between 72 feet and 120 feet, depending on store size and volume.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	FILES, BOXES & DESK ACCESSORIES			
1	Brush Sentry Fire Chest, 1100	4,949	23.69	117,242
2	Rubbermaid Desk Top System Smoke	3,926	10.69	41,969
3	Rubbermaid Box Office Gray	3,050	12.89	39,315
4	Rubbermaid Box Office Slate	2,867	12.89	36,956
5	Brush Fire Safe Large	285	99.95	28,486
6	Tuff File 1 Brown	1,228	22.69	27,863
7	Oxford Keep-It File	1,201	21.89	26,290
8	Rubbermaid Junior File Gray	3,337	7.49	24,994
9	Staco Action Organizer	4,801	5.19	24,917
10	Esselte File-It Almond	1,726	13.88	23,957
11	Staco Bill Arranger	4,614	4.29	19,794
12	Rubbermaid Utility File Gray	3,420	5.78	19,768
13	Esselte File-It Brown	1,366	13.88	18,960
14	Rubbermaid Box Office Almond	1,476	12.89	19,026
15	Rubbermaid Utility File Slate Blue	3,227	5.78	18,652

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	HOME OFFICE PRODUCTS			
1	Esselte Hang File Folder System, 18559	12,504	8.99	112,411
2	Esselte Hang File Folder System, 18504	16,511	4.97	82,060
3	Esselte File Folders, 100-ct.	10,976	5.69	62,453
4	Panasonic Pencil Sharpener, KP100	2,589	21.69	56,155
5	Hunt Electric Pencil Sharpener, 1800	3,248	14.69	47,713
6	Cambridge Prof Trap. Port Notebook, 46096	2,872	13.69	39,318
7	Cambridge Pers Trap. Portbook, 46100	2,324	10.97	25,494
8	Cambridge Portfolio w/Handle, 33082	2,303	8.97	20,658
9	K&M Slanting 1½-in. Binder, SR115	3,828	5.34	20,442
10	Esselte 48-ct. File Folder, 40482	6,757	2.97	20,068
11	Cambridge Address Book, 07300	3,382	5.89	19,920
12	Cambridge Prof Padfolio Letter, 33928	2,631	6.97	18,338
13	Dome Weekly Bookkeeping Record, 600	2,398	7.27	17,433
14	Cambridge Stiff Back Legal Pad, 59870	9,588	1.79	17,163
15	Matrix White Env #10, 250-ct., 73304	4,109	3.69	15,162

Source: Boston Distributors, Maple Heights, Ohio, for the period of January through June, 1987. The company supplies 1,200 stores including over 650 discount stores in 23 states. Average retail prices reflect typical price points for mass merchandisers.

NEW! Batts HANGERS



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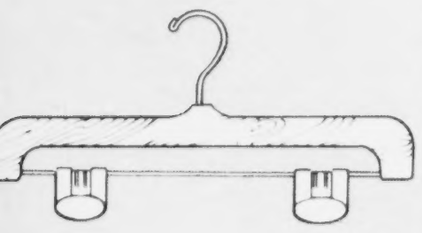

DELUXE WOOD SLACK
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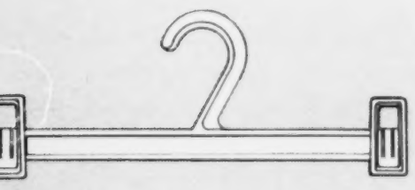

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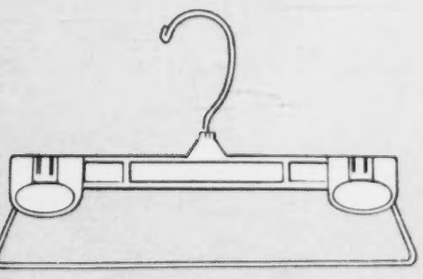

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Fashion Colors Create Pen, Pencil Lifestyle Trend

(Continued from page 136)
last 36 years, from 48 cents a pen in 1951 to 34 cents each today. In 1951, 53 million writing instruments were sold in the U.S.

The sales gains over the years are due to the growth in the white collar work force; changing school requirements for writing instruments; more ink writing as the population gets better educated; and the technological explosions in writing instruments that continues to expand the market rather than shift it, King said.

Discount store retailers and mass merchandisers figure prominently into these statistics and in the growth of the category as a whole, King and other experts told *DSN*. However, no specific data is available on the exact category sales in this retailing segment.

"Discount stores play a big part in pen sales and will get bigger. No doubt about that," King said.

In fact, discounters and mass merchandisers will be at the forefront of retailers selling writing instruments, several pen manufacturers told *DSN*, especially at the $1 and under price point.

This lower-end merchandise does, however, earn retailers some very good gross margins, 50 percent to 60 percent everyday, and about 20 percent on sale.

Although the lower-end merchandise dominates both the national retail statistics and those of discounters, some higher-priced merchandise is gaining momentum at discount stores and mass merchandisers.

Of particular note these days are mechanical pencils, which charted a 41 percent increase in unit sales last year to more 229,000. The average cost per unit is 76 cents: 63 cents for clutch action pencils and $1.18 for twist action models.

In addition, gift pens and pen sets are accumulating more sales, too. Unit sales grew by 5 percent last year to nearly 3.6 million units, the trade group said.

Phil Sutterfield, vp, merchandising at Price Savers Wholesale Club, said he has been upscaling his pen offerings. This Christmas he is adding some extra stock of higher-priced pens to fill a growing demand for these products. In this category, Price Savers offers pens in the $25 to $150 price range and soon will add one that will retail for $200, compared to $300 at other retail outlets.

To get in on the hottest new growth category, call 1-800-331-6060 ext.138.

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Gold Circle recently ran a four-color tab that included four pages of back-to-school merchandise including pens, pencils, crayons and three multipacks of rainbow-colored markers.

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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K mart Becomes Believer in Hypermarket Hype

Joins Bruno's in One-Stop-Shop Venture

By Laura Liebeck

TROY, Mich. — Grabbing hold of one of the hottest new retail concepts today, K mart will introduce its version of a European-style hypermarket as early as next fall, the nation's largest discounter announced earlier this month.

K mart, in a joint venture with Bruno's, a $1 billion a year supermarket chain, will take a step into "what may be the next evolution beyond the warehouse club concept," said A. Robert Stevenson, vice president, government and public relations.

Bruno's, based in Birmingham, Ala., operates 111 supermarkets in five Southeastern states.

In a joint announcement on Sept. 4, the two companies reported that K mart will own a 51 percent stake in the new partnership and Bruno's, 49 percent. Each company will share equally in the management of the new partnership.

K mart's entrance into hypermarket retailing comes on the heels of imminent store openings by several other companies. Wal-Mart is poised to open two hypermarkets; Carrefour will open one; and single-unit Bigg's of Cincinnati has two more locations ready to open shortly.

"This is the wave of the future," said Stevenson about K mart's interest in hypermarket retailing.

Stevenson told *DSN* that K mart felt compelled to try the new retailing format after one year of research indicated that consumers are looking for one-stop shop-

(Continued on page 33)

Hypermarkets in the U.S.

Name	1st Unit Opened	Expected Store Count 12/87	12/88	12/89
Biggs (Euromarche, Super Valu Stores)	1984	1	3	4
Carrefour	1987[1]	1	2	4[2]
Hypermart USA (Wal-Mart, Cullum)	1987[3]	2	4	NA
Wal-Mart Super Center	1988[4]	0	3	NA
K mart, Bruno's[5]	1988[6]	0	1	NA

[1]Projected this fall in Philadelphia [2]DSN estimate
[3]Projected this fall in Garland, Tex., & Topeka, Kan. [4]Projected for Washington, Mo.
[5]Name to be selected [6]Projected next fall in yet to be determined site
NA—not available

Source: DSN research

It's Official! Antonini Takes Reins from Fauber

Joseph E. Antonini

TROY, Mich. — Joseph E. Antonini, president and chief executive officer of K mart, was elected chairman of the board of the nation's largest discount retailer on Sept. 15.

Antonini replaces Bernard M. Fauber, who retires on Sept. 30.

Fauber, who turned 65 on Sept. 18, will continue his 45-year career with K mart as a member of its board of directors and as chairman of the executive committee.

The announcement of Antonini's promotion to chairman concludes months of anticipation by industry observers who have long expected the move. In fact, late last year, Antonini told *DSN* that he expected to be elected chairman of the board when Fauber retired.

(Continued on page 33)

Zayre Reorganizes Field Operations; Plans Round-the-Clock Store Hours

FRAMINGHAM, Mass. — In the wake of Zayre's $40 million second quarter writeoff, the discounter this month reorganized its field operations and instituted a full-scale "open 24 hours" policy.

Zayre also unveiled a key element of its new competitive repricing effort, announcing the "Zayre Price Watch" in late August circulars.

Zayre Stores executive vice president Robert Alger explained that the field level reorganization will establish 23 metro organizations in three districts, staffed with hard and soft lines personnel, operations and loss prevention executives. Each team will be responsible for approximately 18 to 20 stores. The previous structure had 46 district managers in four zones overseeing some 9 to 10 stores each.

"This structure will shorten the lines of communication within the company and make

(Continued on page 34)

Among the many discounters looking for deals on holiday and spring fashions at this month's MAGIC show were (from left) Caldor's Mark Kramarz, Rich Toback and John Ruotolo, and Venture's Debbie Spears and Bob Rauch. (DSN photos)

Big Discounter Turnout at MAGIC

Buyers Seek Hot Holiday Styles

By Kenneth M. Chanko

LOS ANGELES — Discounters were out in force at the spring 1988 MAGIC (Men's Apparel Guild in California) show earlier this month. Their leading priorities: looking for immediate deliveries on certain hot fashion lines for holiday, putting the finishing touches on their spring fashion buys and taking an early peek at fashions for fall 1988.

There appeared to be as many discounters as department and specialty store execs at the show, the most important exhibition for young men's and men's fashion sportswear. Seen walking the aisles at the Los Angeles Convention Center were large contingents of buyers and merchandise managers from K mart, Gold Circle, Zayre, Wal-Mart, Target, Fred Meyer, Caldor, Venture, Hills, Ames and Mervyn's, among others.

Also in attendance were buyers from Marshalls, Fisher's Big Wheel, Bradlees, Prange-Way, Rose's and Stuarts, and a couple of membership warehouse clubs.

(Continued on page 15)

GTE to Test Interactive Cable Shopping Service

By Arthur Markowitz

STAMFORD, Conn. — GTE plans to begin testing Main Street, its interactive cable TV teleshopping service, within the next two months on two systems in the Boston market.

Continental Cablevision and Warner Cable are reported to be the operators of the two systems. Comcast Cable, another operator, is waiting in the wings.

A further test is also likely early next year in Cerritos, Calif., when Apollo Cablevision expects to install a system in that Los Angeles suburb. GTE, a diversified communication company, will supply fiber optic lines for that system and is expected to also test Main Street there, a company spokesman said.

If the tests are successful, GTE will then roll out Main Street in the greater Boston area by mid-1988 and then phase in other markets.

Main Street becomes the second interactive teleshopping service in which consum-

(Continued on page 34)

Off-Pricer Rack Follows Nord[illegible]

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MARKETWATCH

Dart Bids for Dayton-Hudson

WASHINGTON — The Dart Group, owners of discounters Crown Books and Trak Auto, have made a second attempt to acquire Dayton Hudson Corporation, owner of Target Stores. Though rebuffed in a previous attempt in June, Dart Group on Sept. 17 made a tender, which Dart values at $65 a share, or about $6 billion, for 90 percent of Dayton Hudson stock. Dart already owns about 5 percent. So far Dayton Hudson hasn't indicated how it will respond to the latest takeover attempt. But in June it went to great lengths to avoid a takeover, including getting the Minnesota legislature to pass a tough anti-takeover law. The Dart Group is controlled by the Haft family in Washington and has become known as a corporate raider for its stabs over the past two years at: The May Company, owner of Venture and now Caldor, Beatrice, Safeway and Supermarkets General. Although the attempts failed, the Dart Group made hundreds of millions of dollars in profits by selling stock it bought in the target concerns.

K mart Opens More Banking Centers

TROY, Mich. — K mart has opened leased banking centers in seven stores in the greater Washington, D.C., market and plans to shortly add these financial service sections to units in Kentucky and Pennsylvania. The in-store banks are operated by First Nationwide Bank and are among the 150-plus financial service centers that FNB and affiliates of the First Nationwide Network plan to open in K marts this year. Since the program was started three years ago, the discounter and the banking company have opened financial service centers in 145 K marts in eight states: California, Florida, Kansas, Michigan, Minnesota, Missouri, New York and Ohio, besides the seven in Maryland and Virgina.

Proposal Could Increase Welfare Costs

NEW YORK — Major retailers could experience welfare cost increases of 100 percent or more if a Senate proposal establishing a minimum level of health benefits for all employees passes, a survey by Towers Perrin Forster & Crosby indicates. Specifically, the percentage of retail organizations with medical plans that do not meet selected provisions of the Kennedy proposal for mandated medical coverage are listed below:

- 82 percent do not meet the requirement to provide medical coverage for all employees and dependents including part-time employees working as few as 17.5 hours;
- 82 percent do not provide coverage for the treatment of pre-existing conditions;
- 82 percent do not begin coverage within at least 30 days of employment;
- 73 percent do not cover well baby care;
- 73 percent do not provide free coverage for "lowest paid" employees;
- 91 percent do not meet the requirement that contributions for dependent coverage not exceed 20 percent of premium;
- 45 percent do not meet the requirement that individual coverage not exceed 20 percent of premium.

If such legislation is enacted, 35 percent of total survey participants said they would stop hiring part-time employees completely or reduce part-time hours to fewer than 17.5 hours a week.

Teleshoppers Plan Shakeup

CLEARWATER, Fla. — Two leading teleshoppers could be on the verge of major changes in their business structure. The Home Shopping Network, based here, plans to undergo "a major corporate reorganization" and become a diversified holding company. Its main focus would be the "retail sale of consumer goods and services" with other operations using TV, direct mail and telemarketing. Entertainment Marketing, the Houston-based consumer electronics wholesaler and retailer, is considering selling its teleshopping arm, the Consumer Discount Network. An unnamed firm has offered to buy CDN, which obtains most of its merchandise from discounter K mart's Ultra Buying Network division. EM is currently preparing a proxy fight over control of New York City consumer electronics retailer Crazy Eddie (see story, page 3).

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New Specialty Membership Club Takes Warehouse Concept to Drugs

By Pamela Krein

SACRAMENTO, Calif. — The wave of specialty concepts now sweeping the membership warehouse club industry will splash into the drugstore business this year when newly-formed Price Rite Stores opens its first unit here in December.

A blend of membership warehouse club and deep discount drugstore concepts, the Price Rite locations will offer 35,000 square feet of health & beauty aids, over-the-counter products, cosmetics, a pharmacy, food and general merchandise. Beyond the initial Sacramento location, the company said it expects to open five stores in Northern California within its first year.

Price Rite joins a growing list of specialty membership warehouse club concepts—including office supply clubs (Staples, Office Supply, Office Depot, Office Stations), sporting goods clubs (All American SportsClub, Sports Authority) and home improvement warehouse clubs (HomeClub).

Price Rite will be run by executives with extensive experience in both the discount store and membership club industry. All three company founders—John Koehl, Patrick Murphy and Robert Shew—previously worked for Troy, Mich.-based K mart.

Koehl, the chairman and chief executive officer, also previously served as a director and vice president of Riverside, Calif.-based warehouse club operator Saveco. Murphy, president and chief operating officer, has been vp, operations for the Skokie, Ill.-based Warehouse Club and general manager for San Diego, Calif.-based Price Club. And, Shew, who is Price Rite's executive vp, merchandising, spent some 27 years with K mart in various positions including store manager.

These executives said they expect each store to generate $10 million to $12 million in sales during the first year. According to Murphy, the company expects to realize eventual yearly per store sales of $16 million to $20 million.

Koehl said store interiors will be similar to those of warehouse clubs with concrete floors, steel racks, pallets and case stacked merchandise.

Price Rite executives, from left, Patrick Murphy, Robert Shew and John Koehl, are expecting each store to bring in $10 million to $12 million in sales during the first year. (DSN photo)

But, Shew said that while Price Rite will not sell the large industrial sized products common in membership clubs, it will offer multi-packs.

The stores will limit brand and size selection, allowing Price Rite to take advantage of manufacturer deals, quantity buys and ad allowances. Murphy said it will operate on a 9 percent to 12 percent margin on most products.

Beyond the typical drugstore items, Price Rite will carry products geared for the dental and medical professions, and will feature hair salons.

Office supplies will also comprise a portion of the general merchandise mix.

Shew said that general merchandise, food, and H&BA/OTC products will each account for a third of the store floor plan.

Price Rite said it will operate its membership policy similar to other specialty warehouse clubs, such as Los Angeles-based All American SportsClub. While business wholesale memberships will be available for $10 to $15, all consumers can shop the stores for free, but they will pay 5 percent above the posted price. Consumers may also pay a membership fee and purchase products wholesale.

The company plans on using minimal advertising in order to keep its overhead low. However, store site selections will most likely not be the often out-of-the-way locations.

"We want to ensure a certain amount of success with a good location," Shew said. So Price Rite is looking to position itself in neighborhood strip centers in order to compete more effectively with the three major drugstore chains in the Sacramento area—K mart's Portland, Ore.-based subsidiary, Pay Less NW, Los Angeles-based Thrifty and Longs, based in Walnut Creek, Calif.

Shew said a 35,000-square-foot store—as opposed to the typical 100,000 square feet occupied by most warehouse clubs—will enable Price Rite greater latitude in site and city selections. Beyond a projected three to four stores in Sacramento, Murphy said the company will probably look to Modesto and Fairfield—both medium-sized cities in Northern California.

The company chose Sacramento for its base of operations and first store for several reasons. The city offered a "strong economy, where the plans for future growth are excellent," Koehl explained.

The company is now privately held but there are plans to go public in the near future. With several warehouse clubs struggling for survival, Murphy said Price Rite is aware of the challenge it faces. He said costs will be kept to a minimum and sites will be leased.

Shew said, "Within two years we should have a good [profit] showing, and within five years, a good return on investment."

Firm Launches 'Smart' Card Test

AUCKLAND, New Zealand — An electronic credit/debit card has been launched in New Zealand.

The so-called "smart" card contains a computer chip that stores a wide range of financial and personal information about the cardholder, including past purchases. The information enables the card to be used as either a traditional credit card or debit card, as well as for such purposes as storing the cardholder's personal medical history, serving as a security pass to access buildings and a mass transit payment system.

Pilot efforts have been underway since the early '80s to launch smart cards in the U.S., France and Canada, but with limited success. The New Zealand effort is the first time a smart card has been introduced on a national scale.

Called the "Asset" card, the smart card is licensed by MasterCard International, with New Zealand merchant bankers Fay, Richwhite the local backers. Asset is the first card to use the ISO (International Standards Organization) chip standard which has received MasterCard's backing.

Shoppers can use the smart card as a normal credit card or as a debit card to directly charge a purchase to their checking account. The latter method provides almost instant payment to the retailer. Customers determine the payment method at the point-of-sale when they make a purchase.

Fay, Richwhite has been studying electronic banking systems for three years. It decided to introduce Asset because of the payment options and other benefits it offers to cardholders and retailers, said Michael Fay, chairman of Fay, Richwhite.

Russell E. Hogg, MasterCard International's chief executive, added: "We believe the introduction of smart cards will provide major new marketing opportunities for banks and retailers. It also will lead to a significant reduction in credit card fraud because the information in the chip can't be stolen in the way data can be skimmed from standard credit cards. And the smart card is almost impossible to duplicate."

Eye Care, Contraceptives Are Fastest Growing H&BA Categories

By Charles Bowlus
Executive VP, Sales, Boston Distributors

Eye care, contraceptives and incontinence products were the fastest growing health & beauty aid categories during the first half of 1987. The eye care category alone experienced a 62 percent increase over 1986 sales for the first and second quarters, according to Boston Distributors' product movement audit (PMA).

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	EYE CARE			
1	Bausch & Lomb Sens. Eyes Saline, 12-oz.	218,865	3.19	698,179
2	Soflens Cleaning Tablets, 24's	18,943	8.69	164,615
3	A O Sept, 8-oz.	26,815	5.29	141,851
4	Bausch & Lomb Saline Solution, 12-oz.	35,062	3.19	111,848
5	Allergan Clean. & Disinfect. Sol., 8-oz.	17,366	5.99	104,022
6	Soflens Cleaning Tablets, 12's	16,513	6.19	102,215
7	Lensept Disinfecting Solution, 8-oz.	18,263	4.79	87,480
8	Pliagel Cleaning Solution, 25-ml.	20,490	4.19	85,853
9	Bausch & Lomb Disinfect. Sol., 12-oz.	15,900	5.29	83,582
10	Bausch & Lomb Daily Cleaner, 12-oz.	19,767	4.19	82,824
11	Soflens Cleaning Tablets, 48's	5,784	13.97	80,802
12	Bausch & Lomb Sens. Eyes Saline, 8-oz.	23,813	2.99	71,201
13	Bausch & Lomb Daily Cleaners, 1.5-oz.	16,160	4.28	69,165
14	Opti-Zyme Enzymatic Cleaner, 24's	8,914	7.57	67,479
15	Lens Plus Saline Solution, 8-oz.	15,515	4.28	66,404

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	CONTRACEPTIVES			
1	Today Vaginal Contracep. Sponge, 3-pk.	9,755	3.99	34,932
2	Encare Contraceptive Suppositories, 12's	4,641	5.59	25,943
3	Trojan ENZ Lubricated, 12's, 375	7,668	3.29	25,228
4	Gynol II Refill Large, 126-gm.	2,621	9.13	23,929
5	Conceptrol Disposable Gel, 6's	3,674	6.39	23,476
6	Trojan Ribbed, 12's	5,796	3.97	23,060
7	Ramses Extra, 12's	4,572	4.99	22,814
8	Trojan Regular, 12's, 75	7,596	2.39	18,154
9	Today Vaginal Contracep. Sponge, 12-pk.	1,124	12.73	14,308
10	Delfen Foam Kit, 20-gm.	1,681	8.49	14,272
11	Ortho-Gynol Refill Tube, 3.8-oz.	1,566	8.49	13,295
12	Today Vaginal Contracep. Sponge, 6-pk.	1,720	7.39	13,227
13	Lifestyles Nuda, 12's	2,989	4.39	13,122
14	Sheik Lubricated, 12's, 55	2,904	4.39	12,749
15	Excita, 12's	2,256	3.97	8,956

Continued on page 26

Eye Care

Increased competitive pressures stemming from new product introductions and a significant increase in manufacturer promotional support have driven growth among eye formulations.

Bausch & Lomb remained the No. 1 line in this category of the PMA audit placing six sku's on the list. B&L's Sensitive Eyes Saline Solution in the 12-ounce size was the top eye care product, outdistancing No. 2 Soflens by a wide margin. Its market share threatened, B&L responded by dropping the promotional price on the 12-ounce by more than 50 percent, thereby effecting the huge jump in sales.

Allergan, with five items on the top 15 listing, is giving Bausch & Lomb the most difficulty—most likely due to new support of its brands with promotional monies for the trade.

Another growth area of the eye care category is the hydrogen peroxide disinfecting segment which was pioneered by Ciba. Ciba placed its A O Sept, 8-ounce in the No. 3 position and Lesept, 8-ounce, in the No. 7 spot.

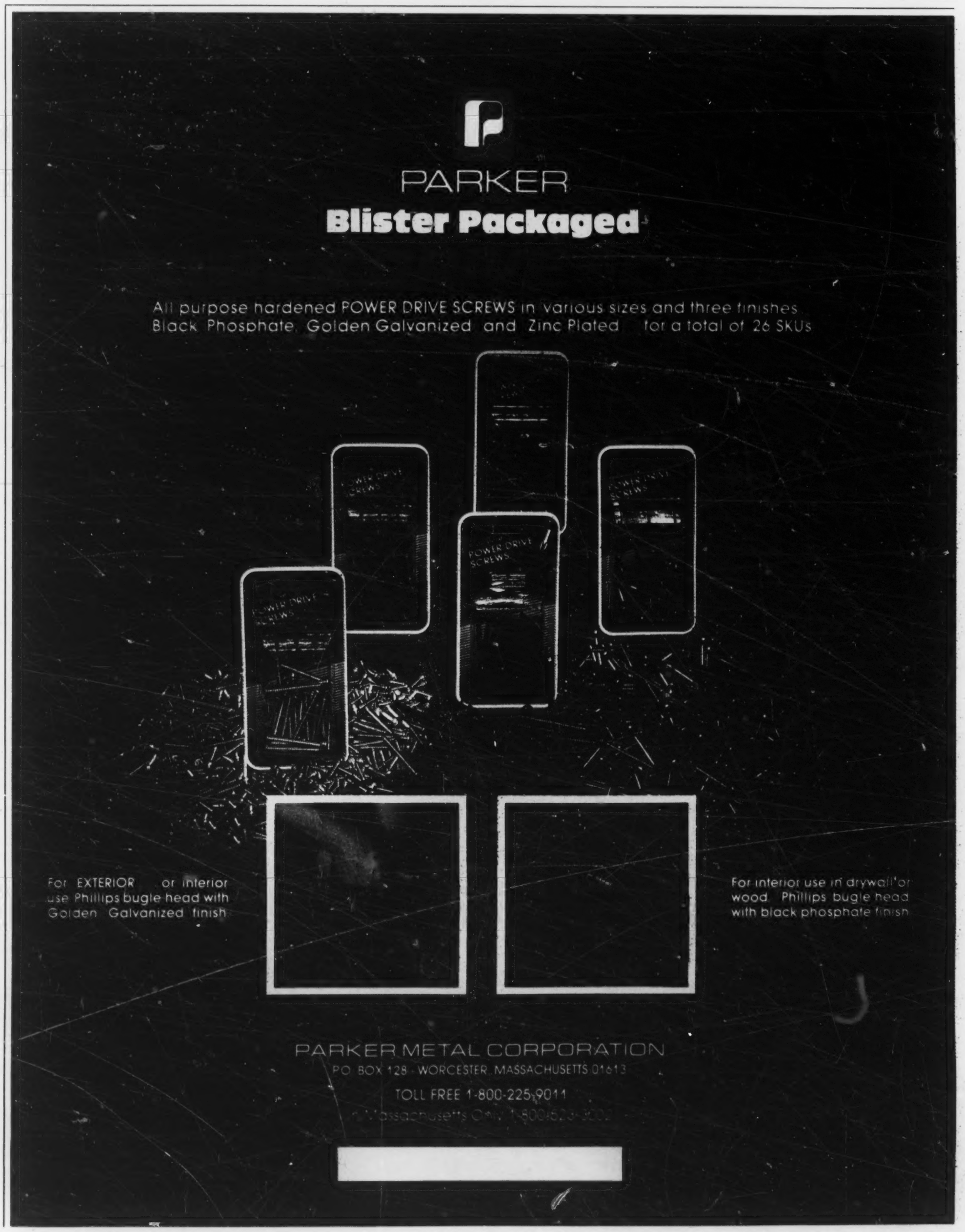
We expect the spray saline and hydrogen peroxide segments to grow dramatically in 1987 but B&L has proven it intends to do whatever it takes to keep its No. 1 position.

Contraceptives will surpass eye care as the top percentage gainer during the course of the year as distribution of condoms increases. Now that the effectiveness of condoms in controlling AIDS and other sexually-transmitted diseases can be extolled on TV and radio, sales will skyrocket.

Trojan is expected to retain its dominant position in the market, but share points should slip as more players enter the field. VLI, makers of Today sponges, and Schmid Labs, makers of Koromex, are both launching condoms marketed and packaged for women. The products being introduced under the Today and Koromex brand names include carrying cases.

Boston's contraceptive PMA was again led by VLI's Today sponge. Encare Ovals edged out Trojan's Lubricated Condoms for the No. 2 spot. Ortho placed four items on the PMA including Gynol II, Delfin Kit and Gynol Refill. Trojan was the top condom line with three sku's on the listing.

(Continued on page 26)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Eye Care, Contraceptives Are Fastest Growing H&BA Categories

(Continued from page 25)

Trojan's Lubricated Condoms jumped to the No. 3 spot, the ribbed version took No. 6, and regular Trojan's were No. 8.

All condoms on the PMA were in the dozen package. We recommend merchandising condoms with other contraceptives in the feminine hygiene aisle because females are the primary purchasers of the product.

Another growth category in 1987 will be incontinence, led in the first half by Kimberly-Clark which placed seven sku's on our PMA including the first four spots. Procter & Gamble's launch of Attends and Personal Products' introduction of Serenity will explode the market in 1987 and 1988 as millions are spent in developing the consumer awareness of the category.

Incontinence products are expected to grow by over 500 percent in the next decade due not only to the development of the market but also to the graying of the baby boomers. The health aids business in general will benefit as the 50-plus age group will grow at twice the rate of the general population. By 2010, the over-50 segment will have grown by 72 percent.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	INCONTINENTS			
1	Depend Extra Absorbent, 30's	3,809	17.69	67,381
2	Depend Regular Absorbent, 36's	2,500	17.69	44,225
3	Depend Regular Absorbent, 12's	4,827	6.47	31,231
4	Depend Extra Absorbent, 10's	2,937	6.47	19,002
5	Surety Extra Absorbent Undergarment, 10's	1,404	4.49	6,304
6	Attends Undergarment Super, 10's	960	6.47	6,211
7	Depend Briefs Regular, 24's	302	17.33	5,233
8	Depend Briefs Large, 18's	294	17.33	5,095
9	Attends Briefs Medium, 10's	606	7.59	5,055
10	Attends Undergarmet Regular, 10's	948	5.27	4,996
11	Depend Shields Extra Absorbent, 12's	975	4.83	4,709
12	Surety Shields Extra Absorbent, 12's	1,380	3.39	4,678
13	Surety Extra Large Underpad, 20's	738	6.19	4,568
14	Attends Briefs Small	494	6.29	3,107
15	Serenity Super, 10's	546	5.49	2,998

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	TOOTHPASTES			
1	Crest Tartar Control, 6.4-oz.	94,760	1.99	188,572
2	Aqua Fresh, 6.4-oz.	81,108	1.99	161,405
3	Crest Tartar Control Gel, 6.4-oz.	69,385	1.99	138,076
4	Colgate Dental Cream Family, 7-oz.	52,678	1.99	104,829
5	Crest Regular, 6.4-oz	47,577	1.99	94,678
6	Crest Gel, 6.4-oz.	38,181	1.99	75,980
7	Colgate Tartar Control Regular, 6.4-oz.	36,060	1.99	71,759
8	Crest Tartar Control Gel Pump, 6.4-oz.	26,889	2.49	66,954
9	Crest Pump Tartar Control, 6.4-oz.	26,490	2.49	65,960
10	Crest Mint, 6.4-oz.	33,125	1.99	65,921
11	Colgate Tartar Control Gel, 6.4-oz.	33,073	1.99	65,815
12	Crest Pump Tartar Control, 4.6-oz.	32,640	1.99	64,954
13	Crest Tartar Control, 4.6-oz.	37,998	1.69	64,217
14	Crest Tartar Control Gel, 4.6-oz.	37,858	1.69	63,980
15	Crest Tartar Control Gel Pump, 4.6-oz.	29,163	1.99	58,034

Source: Boston Distributors, Maple Heights, Ohio, for the period of January through June 1987. The company supplies 1,200 stores including over 650 discount stores in 23 states. Average retail prices reflect typical price points for mass merchandisers.

H&BA manufacturers are beginning to develop health aid categories now so that they are well-positioned for the boom. P&G is developing the laxative category by increasing significantly the marketing support given to its recently-purchased Metamucil brand. Metamucil already dominates the laxative PMA, placing eight sku's in the top 15 including the No. 1 spot with a bonus 17.5-ounce size of the regular powder.

P&G is presently testing a reformulation of its sugar-free put-ups which boast superior flavor and consistency. The Metamucil brand will also be touted for its high-fiber content. Fiber efficacy in reducing blood serum cholesterol levels and an apparent correlation between a high-fiber diet and a reduction in colon cancer are presently receiving wide publicity in the media.

Antacids are experiencing moderate increases with extra-strength formulations demonstrating the strongest growth. Maalox 12-ounce led the Boston PMA followed by Mylanta 12-ounce. Extra Strength Mylanta, Mylanta II, came in at No. 3 while Maalox's Extra Strength Plus brand ranked No. 4. Pepto Bismol, soon to test an extra-strength formulation, took Nos. 5 and 6.

The big story in the analgesics category is more what did not happen than what did.

The new Ibuprofen brands, most notably McNeil's Medipren, have not performed as well as expected. Tylenol's Extra Strength Caplets took the No. 1 position by a nearly 2-to-1 margin over No. 2, Bufferin. Bufferin sales were boosted by strong promotional activity.

Tartar Toothpaste

In toothpaste, tartar formulations have made the difference in the category during the first half of the year.

Crest's tartar took the No. 1 spot and its tartar gel placed No. 3. In all, Crest placed 11 sku's on the PMA, eight of which were for tartar formulations. Two out of the three Colgate sku's on the PMA were tartar formulations bringing to 10 the total tartar rankings out of the 15 sku's on the listing.

Black hair care products' growth in the first half was led by the relaxer kit segment with Dark & Lovely kits placing three sku's on the listing and Johnson's Gentle Treatment Kit taking No. 9. Curl products continue to dominate the PMA due to its higher use-up rate despite a decline in curly hair styles.

Soft Sheen's Carefree brand was again the No. 1 black hair care line with 6 sku's on the top 15. Improved consumer awareness of retail prices and the availability of lucrative promotional allowances make this category especially attractive for in-store promotions.

Real growth in several H&BA categories will be more difficult for retailers to achieve for the balance of 1987 as we witness a reduction in the number of significant new item introductions.

New items, with accompanying enormous advertising budgets, have been the driving force behind H&BA growth for the past decade. This impetus has been in large part negated by the trend by major manufacturers of buying established brands as opposed to developing new ones. In order to attain sales gains, discounters must be more aggressive in capitalizing upon the opportunities represented by growth categories such as eye care and condoms. In-store promotions, comprised of bulk-stacks and endcaps, should supplement print ads to capture greater impulse sales and to enhance a low price discount image.

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K mart Teams Up with Food Chain to Open Hypermarket

(Continued from page 1)

the success hypermarkets have enjoyed in Europe for the last 20 years.

K mart, he said, was attracted to the retailing finesse and reputation of Bruno's.

He discounted Wal-Mart's, Carrefour's or Bigg's hypermarket plans as driving forces behind K mart's decision to enter this new retailing form.

Analyst Fred Wintzer of Alex Brown & Sons, Baltimore, observed, "K mart will try to get into every new retail concept that poses a threat to its core business."

If hypermarkets prove acceptable to American consumers, K mart and Bruno's want to be on the cutting edge, with the shopping environment customers want, added Lee Wilder, an analyst with Robinson Humphrey, Atlanta.

The retailers will open their first unit next fall "somewhere in the Southeast," said Beth Dunnaway, director of consumer affairs at Bruno's. Additional units will follow, although no timetable has been established.

The site of the unit will likely be announced next month, she said. Several locations are currently being considered, but Bruno's home base of Birmingham is not one of them, she said. The first unit, as well as future ones, will be located in major metropolitan markets with populations of at least 250,000 people.

The still unnamed hypermarkets will contain 225,000 square feet of retail selling space including broad selections of both food and general merchandise plus "complementary" specialty stores and businesses. The specialty stores, however, may not be installed in every unit and will comprise only up to 20,000 square feet, said Dunnaway.

The hypermarkets may not carry the same lines of merchandise as the two retailers' traditional stores, said K mart's Stevenson. He stressed that the hypermarkets will sport a new look and identity separate from both K mart and Bruno's.

Other specific details of the hypermarket are not yet available. For example, the percentage of food to general merchandise has not been decided nor has store layout and positioning for the specialty retailers.

James A. Glime of K mart's specialty retailing division has been named chief executive officer of the venture. Lewis Adkins, an area manager for Bruno's, was named general manager of food for the hypermarket. For now, the hypermarket will be directed out of K mart's Troy headquarters.

Although Bruno's is a small grocery operation compared to other food retailers like Safeway, Kroger, and A&P, among the nation's largest chains, it is viewed by many analysts as a superior operator and an excellent choice to be a partner with K mart.

"K mart is linking up with a real quality company," said Wintzer. He added: "Historically, they [Bruno's] are one of the most profitable supermarket companies. They are a real class act."

Bruno's operates 111 supermarkets in Georgia, Alabama, Tennessee, Mississippi and Florida under the names of Food World, Food Max, Consumer Warehouse and Bruno's. They are considered "upscale" food retailers providing more service departments than the chain's competitors and merchandise that is not "as competitively priced" as others, commented Wilder of Robinson Humphrey.

Dunnaway told *DSN* that Bruno's, which has been aggressively expanding and looking for new niches, was particularly pleased to have been contacted by K mart for this venture.

Hypermarket retailing was a "logical choice" for Bruno's, she said, since one-stop shopping is the trend in retailing today. "This is the ultimate in one-stop shopping," she said.

Antonini Named K mart Chairman

(Continued from page 1)

Following the announcement, Antonini could not be reached for comment, but a company spokeswoman said no operational changes are expected.

"He will continue to set in place what Mr. Fauber started," the spokeswoman said, making particular note of K mart's retail automation program. In addition, she said Antonini will continue focusing on more employee training programs and further developing K mart's customer service departments, among other projects.

Antonini, 46, has been president and ceo of K mart since August 1986.

He joined K mart in 1964 as a management trainee in Pennsylvania, after graduating with a bachelor of science degree from West Virginia University.

In his 24 years with K mart—the only company for which he has ever worked—Antonini has held numerous positions. He became president and coo of the apparel division in 1984; senior vp of K mart Corp. in 1985; and executive vp of K mart Corp. and president and ceo of K mart Apparel in early 1986 before being elected president and ceo last year.

At K mart, Antonini is perhaps best known for his "marketing mind," the spokeswoman said, noting that in 1985 he introduced K mart to celebrity apparel with the Jaclyn Smith Signature Collection. And recently, he introduced Martha Stewart as entertainment and lifestyle spokeswoman and consultant for the company's new Home Fashions Division.

Antonini is also credited with restructuring hard lines merchandising into six separate divisions, putting emphasis on category merchandising and specialization.

Antonini, whose promotion becomes effective Oct. 1, is the sixth K mart chairman, taking over from Fauber, who has held that post since 1980.

Crazy Eddie's Founder Bailing Out

(Continued from page 3)

Antar, who owned about 75 percent of the company when it went public in 1984, now holds only 1.5 million shares or 4.7 percent. Entertainment Marketing, a Houston-based electronics wholesaler, and its president Elias Zinn, hold 1.7 million shares or 5.3 percent of the 31 million Crazy Eddie shares outstanding. A spokesman for Entertainment Marketing told *DSN* that neither Zinn nor the firm were involved in the Antar stock sale.

"When the chairman of the company is unloading his stock and withdraws his own personal stake then obviously this does not sit well with shareholders," said Zinn.

Entertainment Marketing and The Oppenheimer-Palmieri Fund have retained Carter Organization, a proxy solicitation firm, to represent its interests in Crazy Eddie.

Speaking before the New York Society of Security Analysts on Sept. 9, Zinn made it clear that he felt Entertainment Marketing could revive the fortunes of the once high-flying CE chain.

Zinn, who lives in Texas, said he is prepared to move to New York. Dennis Lamm, cofounder of Entertainment Marketing, would be left to run EM operations in Houston. Zinn also said he has lined up a team of professionals in the New York market to run Crazy Eddie should he gain control of the company.

Spurred by a lawsuit filed by Entertainment Marketing, Crazy Eddie's board announced it will hold an annual meeting on Nov. 6, for shareholders of record as of Oct. 6. The last annual meeting of Crazy Eddie shareholders was held more than a year ago, on July 22, 1986.

Zinn also stated at the New York City meeting that he visited all 41 Crazy Eddie stores and saw weaknesses in the way the stores were merchandised. In particular, he attributed sloppy displays to the lack of hands-on management.

Comparable store sales for Crazy Eddie's second quarter ended Aug. 31 decreased 29 percent compared with last year's quarter. Comparable store sales for the first six months declined 26 percent. Crazy Eddie expects to report a greater loss for its second quarter than the net loss of $2.3 million reported in the first quarter ended May 31. For the year-ago second quarter, Crazy Eddie posted net income of $3.75 million.

The troubled electronics chain is hoping cost reduction efforts, such as the implementation of a POS system which is to be completed chainwide by Christmas, will bring significant cost savings.

The chain is also counting on the installation of jewelry departments in a majority of stores by Christmas to generate additional revenue. Crazy Eddie announced this month an agreement with Finlay Fine Jewelry, a division of S&L Acquisition Co. L.P. of New York, to supply these departments.

Crazy Eddie also sees the cellular phone business as another opportunity to return the chain to profitability. On Sept. 16, it entered into an agreement with M.C.S.I, a subsidiary of Motorola, for the installation and service of cellular telephone systems.

Zinn said he firmly believes Crazy Eddie's problems could be solved if there were energetic and enthusiastic hands-on management in place as well as tight cost controls.

"Crazy Eddie is still a great opportunity for us since it is still the No. 1 operator in the intense New York market, has significant volume and great store locations," Zinn said. Crazy Eddie's major competitors in the New York metro market include Newmark & Lewis and The Wiz.

Antar, along with the Belzberg family of Canada, withdrew a $7 per share bid for Crazy Eddie on Aug. 12, after Entertainment Marketing withdrew an $8 bid on July 28.

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Vol. 26, No. 19 September 28, 1987

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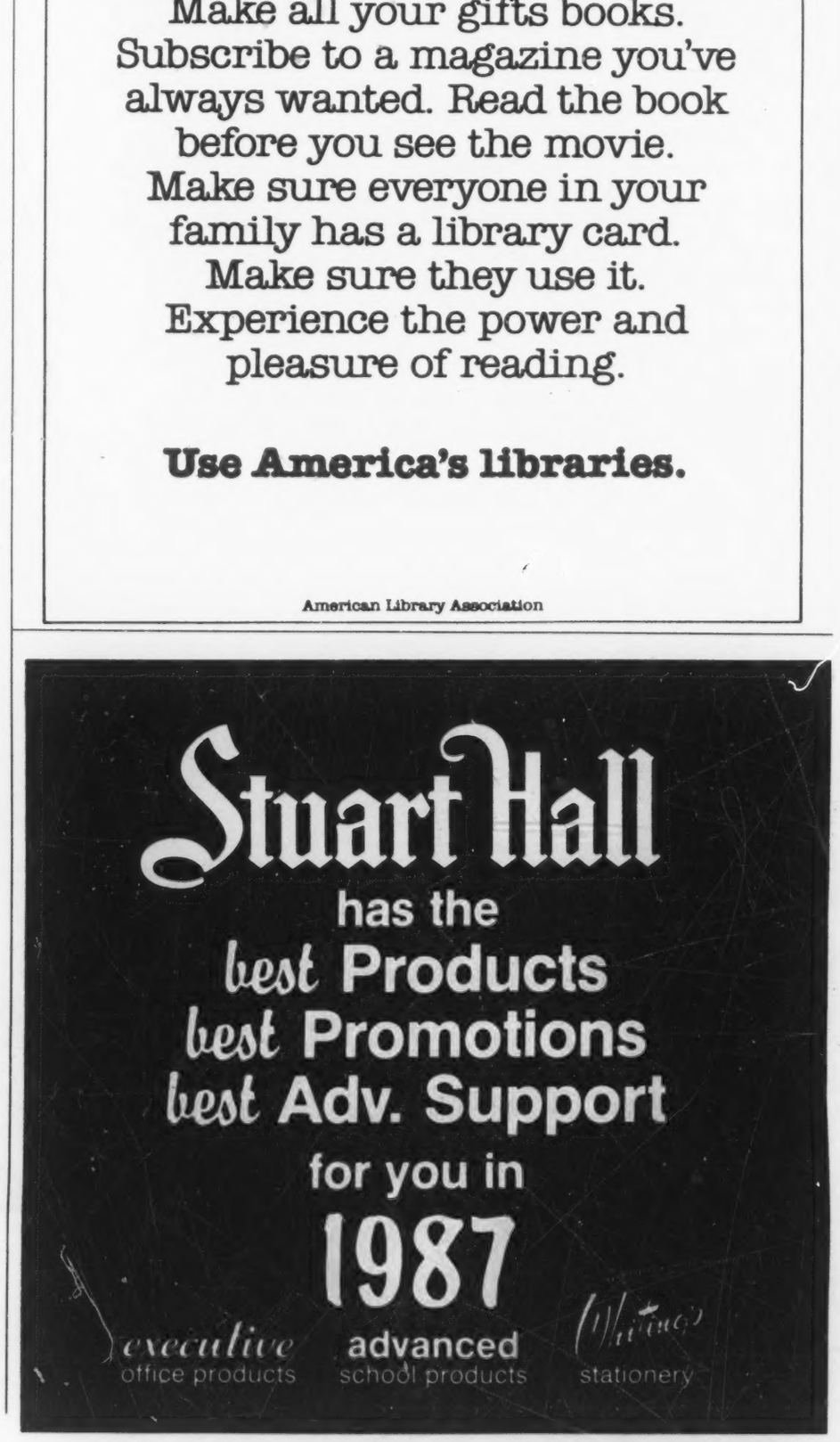

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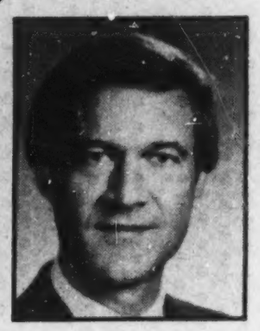
Ulrich to Chair Target; D-H Taps Allbright Prez

MINNEAPOLIS — Bruce G. Allbright, who has been chairman and chief executive officer of Target Stores for the last five years, has been named president of Dayton Hudson Corp., Target's parent company.

Allbright



Ulrich

Allbright, who will report to Kenneth A. Macke, chairman and ceo of Dayton Hudson, has also been elected a director by the corporation's board of directors.

Robert J. Ulrich, president and chief operating officer of Target, has been promoted to chairman and ceo of the giant discounter, succeeding Allbright. The two have also become members of the corporate operating committee.

These top executive moves at D-H come in the midst of an escalating takeover attempt by the Haft family, owners of Dart Group Corp., who have increased their acquisition offer for Dayton Hudson (see accompanying story).

Allbright succeeds Boake Sells, who resigned Sept. 23, just a few days after the Dart Group's initial offer. Sells reportedly will become chairman and ceo of Revco DS, a discount drug store chain based in Twinsburg, Ohio.

(Continued on page 184)

Hafts Raise D-H Bid to $6.3B; Spin-off Could Daunt Raider

LANDOVER, Md. — Dart Group Corp., based here, has upped the stakes by $300 million in its attempted takeover of Dayton Hudson Corp.—parent of discounter Target Stores—which rejected an earlier Dart offer.

Dart also said it is preparing to launch a proxy fight for control of the $9.3 billion Minneapolis-based retailer.

In a letter dated Sept. 29, the Haft family, owners of the Dart Group, offered $6.3 billion in cash for 98 percent of Dayton Hudson, slightly more than $68 per share.

Dart Group president Robert M. Haft told *DSN* he was "disappointed by their [D-H's] rejection" of the Hafts' earlier $6 billion, $65-per-share offer without discussion, especially since "we made it clear that all terms are negotiable."

Dayton Hudson, which has just named a new president (see accompanying story), has rejected this latest offer. Analysts speculate D-H could be forced to spin off one of its divisions—possibly the Target chain—to make the company a less attractive takeover candidate.

Dayton Hudson Corp.

Minneapolis, Minn.
Chairman: Kenneth A. Macke
President: Bruce G. Allbright

Divisions	1986 sales (in mil.)	Operating Income (in mil.)
Target	$4,354.9	$311.0
Mervyn's	2,862.3	160.2
Dayton Hudson	1,566.3	165.3
Lechmere	475.6	19.5

Source: DSN research

In a statement, Dayton Hudson management said an acquisition would "not be in the best interests of the corporation and its shareholders." The statement said those interests would be served best by "Dayton-Hudson remaining an independent company in its present form."

The Dart Group controls the Crown books and Trak Auto discount specialty chains and also has extensive real estate holdings.

One of D-H's many options to fight the takeover attempt, according to Glenn Johnson, analyst for Piper, Jaffray & Hopwood, a Minneapolis securities firm, is for D-H to do for Target what Zayre Corp. did for its highly successful T. J. Maxx off-price apparel chain: Spin it off as a public company, while retaining control.

(Continued on page 184)

Ames' Hollis Outlines Steps To Pinch Shrinkage Problem

By Peter Hisey

ROCKY HILL, Conn. — Ames Department Stores, the 462-unit discounter based here, will add hundreds of security employees to its payroll, hire two anti-theft consultants and two public accounting firms, and continue its own investigation of distribution systems and employee honesty in an effort to stem the large inventory shrinkage losses of the past year, according to a report released on Sept. 30.

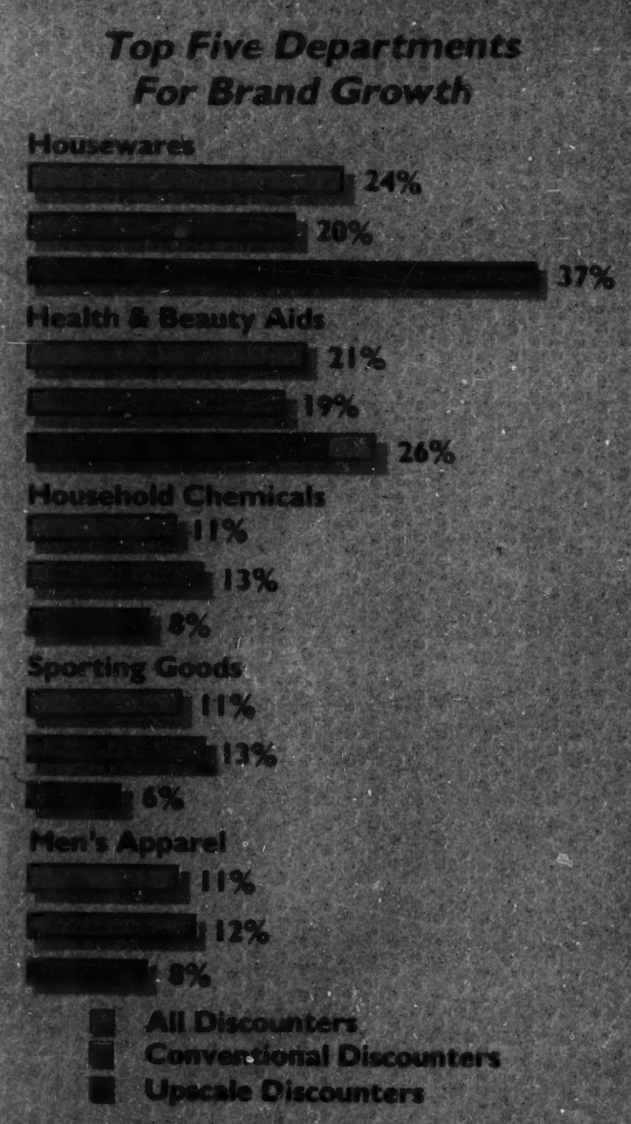
Hollis

Ames president Peter Hollis, who in late September succeeded chairman Herbert Gilman as chief executive officer, outlined steps the company will take to reverse the losses (which may total over $30 million since last July) to analysts in New York late last month.

The findings of the company-sponsored investigation confirmed earlier reports that the losses were spread among various elements of the Ames operation, most noticeably in former Murphy Marts in urban locations like Pitts-

(Continued on page 184)

Name Brands Grow at Discounters



Nationwide DSN Report

National labels made their greatest inroads this year in housewares, health & beauty aids, household chemicals, sporting goods and men's apparel, according to a new nationally projectable survey of discount store managers.

DSN's Fifth Annual Top Brands Survey also revealed that discounting's most prominent brands maintained their dominance in most departments, but new product introductions and merchandising trends shuffled the lower half of the top 10 brands in several categories.

Asked to name their best performing brands in 17 categories, managers of conventional and upscale discount stores most often mentioned brands that were runaway favorites in previous years, but in general, those brands held slimmer leads in their departments this year.

A report that analyzes managers' perceptions of brands begins on page 37.

Telaction Launch Behind Schedule

Penney to Start In-Home Test

By Arthur Markowitz

SCHAUMBURG, Ill. — J.C. Penney expects to start in-home limited operational tests of Telaction, its interactive cable TV teleshopping service, some time this month in the Chicago area, months behind the rollout schedule company executives announced in February.

The complexity of the innovative technology used for the service—which uses software to meld cable TV, telephones, computers, laser video discs and tape players into a seamless system—is believed to be responsible for Telaction's delayed introduction.

"There weren't any major problems, just the day-to-day process of working out any glitchs," a company representative said.

The executive said that such specific aspects of its technology as the need for two cable channels and its version

(Continued on page 13)

Ward ... A Lo... ker Tells Execs ... Starts at the Top | Fifth Annual Top Brands Survey

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MARKETWATCH

Carrefour Delays American Store Debut

SECAUCUS, N.J. — Carrefour, the French hypermarket pioneer, has pushed back the debut of its first 330,000-square-foot American stores to 1988. The Philadelphia hypermarket, which was to open this month adjacent to the Franklin Mills shopping center, now won't be unveiled until January at the earliest because of construction delays. No date has been set for the opening of a unit in the Stonybrook Mills shopping center in the New York suburb of Brookhaven, Long Island. Residents there oppose the project and Carrefour is looking for another New York site while still pushing for the Brookhaven unit.

Wholesale Club Opens 4th in Cleveland

INDIANAPOLIS — The Wholesale Club will cap its four-store expansion program for 1987 by opening a membership warehouse later this month in Elyria/Lorain as its fourth in the Greater Cleveland market. That unit was the chain's 15th and was preceded by stores in Ft. Wayne and South Bend, Ind., its third and fourth in the Hoosier State, and in the Inver Grove Heights area of St. Paul as its fourth in the Greater Minneapolis/St. Paul market.

Allbright to Speak at PLMA Breakfast

NEW YORK — New Dayton Hudson president and former Target chairman Bruce Allbright will be the featured speaker at the Private Label Manufacturers Association's Salute to Excellence Award Breakfast. The breakfast will be held during the PLMA's 1987 Store Brands Supershow, Nov. 15 to 18 at the O'Hare Expo Center, Chicago. Retailers and manufacturers can obtain registration information from the PLMA, Suite 1500, 41 East 42nd St., New York 10017. Phone: (212) 972-3131.

New Club Targets Medical, Dental Biz

SAN DIEGO — Another new firm has announced plans to jump on the membership warehouse club bandwagon with a specialty concept aimed at the medical and dental professions. MedClub will open its first warehouse, slated to be between 50,000 and 80,000 square feet in size, here next year. The club will sell front and back office supplies for medical- and dental-related businesses as well as drugstore-type products for consumers. Although the company is fashioning itself after membership clubs—and will set up some type of membership rules—MedClub said the interiors will represent an upgraded appearance due to the nature of the products being sold. The first store is expected to open in early 1988. Additional site openings will rest on the success of the initial warehouse. The company said long range plans call for the opening of additional locations throughout the West Coast, Arizona and Colorado.

Ames Donates Vitamin A to Third World

ROCKY HILL, Conn. — Ames Department Stores, the 330-store discount chain headquartered here, has donated a half-million vitamin A capsules through the C.A.R.E. organization to various Third World countries, including India, Bangladesh and Pakistan. According to Ames, vitamin A deficiency leads to blindness from glaucoma in 500,000 Third World children each year, as well as measles and other illnesses. The 50,000-unit megadose capsules are being made for Ames by Tishcon Corp. in conjunction with pharmaceutical giant Hoffman-LaRoche.

FOR THE RECORD

Sales for Gee Bee and Dollar Bargain Stores' 67 outlets totaled $200 million in 1986, a 7.5 percent increase over 1985 figures. Figures in *DSN's* annual industry census (July 20) reflected only Gee Bee results in 1986 while showing the combined results for 1985. The 1986 figure should have included the Dollar Bargain Stores sales.

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Jamesway Nears $700M Sales Goal Despite Below-Plan Labor Day Sales

SECAUCUS, N.J. — Jamesway, the 105-store discount chain based here, reported that sales for a six-week period ended Sept. 12 were below plan for the period, yet the discounter remained confident of reaching its sales goal of $700 million by year-end.

For the six-week period, which included Labor Day business for both this year and last, total sales rose 16 percent, while store-for-store sales were up 7 percent.

Arlie Lazarus, president of the chain which generated $612 million in sales last year, noted that the sales increase was in line with store-for-store and total sales increases for the first half of the year but below plan for the period.

Herbert Fisher, chairman, added that the final count for new stores in 1987 will be 11 on a base of 100 open at the beginning of the year. He said, "Despite some slippage in our 1987 store-opening program, we are on target toward our previously stated sales goal of about $700 million for this year. For 1988, we are confident we will have 15 new stores, and perhaps as many as 20."

This month, Jamesway opened two new stores in Brodheadsville and Blakeslee, Pa. Next month, the discounter is scheduled to open a new unit in New Elkton, Md. Jamesway recently signed leases for a new 50,000-square-foot store in Mt. Airy, Md., and its second Harford County, Md., store. Both of the stores are scheduled to open in the fall of 1988.

The Mt. Airy store will feature wider aisles, more brightly illuminated retail departments, a number of computerized checkouts, a layaway center, a rebate/rain check service center and special "cash only-no limit" checkout lines.

The 60,000-square-foot Harford County store is part of the proposed Constant Friendship Shopping Center, a 165,000-square-foot strip center to be co-anchored by a Weis Supermarket.

Maryland is rapidly becoming an important new market for the company, said Fisher. "With six other Jamesway units in the state, we look forward to planting our retailing roots in Mt. Airy and in Harford County," he added.

Accelerates Expansion Plans

Yellow Front Buys 64 Bonanza Stores

PHOENIX, Ariz. — Just six months after its divestiture from Lucky Stores via a $50 million leveraged buyout, general merchandiser and discounter Yellow Front Stores announced it will add to its 106-store total with the purchase of Renton, Wash.-based Bonanza Stores' 64 sites for an undisclosed amount.

A signed agreement between Yellow Front's parent company, YFS Holdings, and Bonanza was completed in September and the deal is expected to be completed at the end of this month.

Purchase of the Bonanza Discount Centers greatly accelerates Yellow Front's growth plans. The chain had expected to open only seven stores by year's end and another 15 stores in 1988.

However, since the buyout from Dublin, Calif.-based Lucky in April—by Dan Sullivan of Kenmare Capital Corp. in New York, Yellow Front president Sean Lee, and five other company executives—Yellow Front has taken an aggressive expansion posture, which called for the opening of 200 stores by 1990.

To reach this goal, Lee said Yellow Front had been looking to go west of its present stores, which are located in Arizona, Colorado, Idaho, Nebraska, Nevada, New Mexico, Utah and Wyoming.

With the purchase of the 64 Bonanzas, Yellow Front will have an entrance into Washington, Oregon, Montana and California. The only state where the two chains will overlap is in Idaho.

The acquisition of the Bonanza Discount Centers—taking Yellow Front to 170 stores—will also create yearly sales in excess of $200 million, Yellow Front said.

The actual transformation of the Bonanza sites to Yellow Fronts—including a name

(Continued on page 184)

Florida Senate Votes Down Ad Tax

TALLAHESSEE, Fla. — In a special session this month, the Florida State Senate voted to repeal a controversial 5 percent service tax on advertising. A conference committee of House and Senate legislators was expected to hammer out a compromise revenue-producing law to replace the ad tax this month.

Retailers who advertise in Florida have been among numerous groups vocal in their opposition to the three-month-old measure.

The Senate-approved bill repeals the tax effective Jan. 1, 1988, plus supports a 1 cent increase in the state's sales tax to 6 percent. Until repealed or revised, Florida advertisers must pay the 5 percent service tax, said Jon Peck, deputy press secretary to Florida Governor Bob Martinez.

Peck said that opposition forces within the legislature and around Florida convinced Martinez last month that the levy, instituted in July to raise approximately $1 billion a year in additional revenue, is inappropriate. Peck said public opinion polls in Florida showed that 80 percent of the people opposed the tax.

Martinez called the Florida legislature into special session on Sept. 22 and 23 to determine the fate of the law. He wanted to put the question before Florida voters in either the November election or the March 8, 1988, presidential primary ballot. But the opposition was too strong, and Martinez was persuaded to work to repeal the law.

Since the state still requires additional revenue, Peck said, Martinez extended the special session through Oct. 9 in hopes of finding new sources of revenue. By Oct. 2, Florida lawmakers still had not solved their dilemma. Ultimately, the legislators will probably decide to either increase the state's 5 percent sales tax or cut spending.

Between July 1 and Dec. 31, the service tax is expected to produce an estimated $300 million to $350 million, revenues the state will keep.

K mart: Top Discounter Advertiser

CHICAGO — K mart Corp., the nation's largest discount store chain, was the ninth leading national advertiser last year, according to an annual survey conducted by *Advertising Age*. K mart, which registered sales of $23.8 billion in 1986, spent $590.35 million on a variety of media to draw consumers through its doors last year.

Sears, Roebuck & Co., which ranked third overall on the *Advertising Age* listing, led all retailers in ad spending, plunking down $1 billion in 1986 on national advertising.

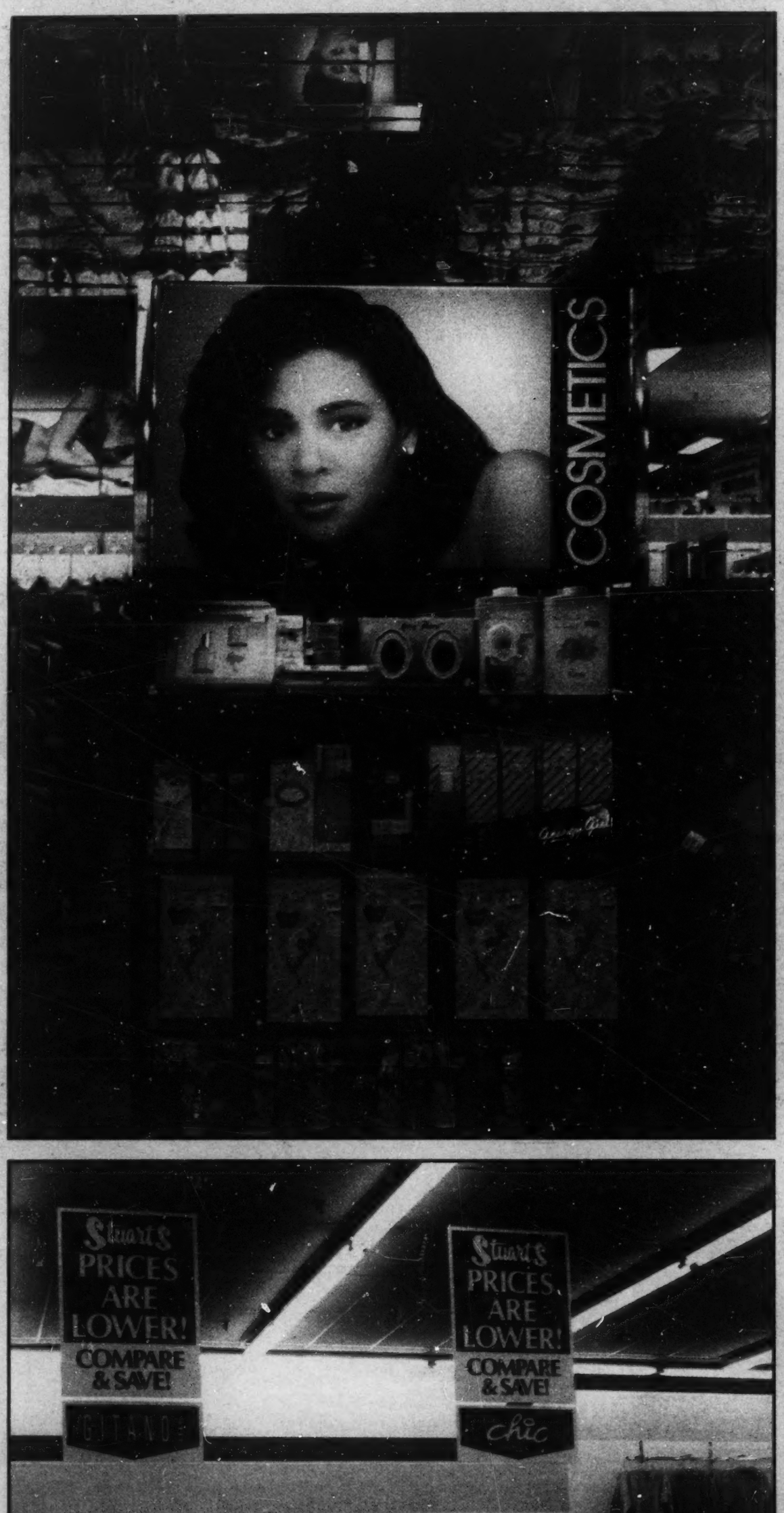
Procter & Gamble Co. spent $1.44 billion to advertise its products in 1986 to nab the No. 1 ranking among all advertisers.

K mart's reported ad expenditures were up 4.1 percent over 1985. According to the publication's research, the bulk of K mart's ad expenditures were divided as follows:

- Magazines, $20.46 million, up 91 percent;
- Network TV, $26.33 million, up 62 percent;
- Spot TV, $24.21 million, up 4 percent;
- Network radio, $6.53 million, up 47 percent;
- Spot radio, $3.6 million, down 44 percent;
- Outdoor, $138,000, down 63 percent;
- Network cable, $648,000, up 26 percent.

The 100 leading national advertisers increased their U.S. ad spending only 3.4 percent to $27.17 billion in 1986, according to the report.

Top Brands



Brands Continue to Grow at Discounters

Store Managers Cite Housewares, H&BA as Departments Experiencing Greatest Increase in National Brand Products

Special Top Brands Report —pages 39 to 159

National Survey Reveals Store Managers' Top Performing Brands

Automotives page 139
Quaker State
Pennzoil
Fram

Consumer Electronics page 90
Emerson
General Electric
RCA

Cosmetics page 159
Maybelline
Cover Girl
Revlon

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J.P. Stevens
St. Mary's

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Hershey
Brach's

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Black & Decker
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General Electric

Health & Beauty Aids page 143
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Corning
Black & Decker

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Curity
Wrangler

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Lee
Gitano
Wrangler

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Lee

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Canon

Sporting Goods page 150
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Wilson
Spaulding

Stationery page 153
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Bic
Papermate

Toys page 145
Fisher-Price
Mattel
Playskool

Leading brands in 17 merchandise categories were named by store managers nationwide in a poll conducted for Discount Store News *by Leo J. Shapiro & Associates.*

39% Say Brands Are Up

Fast Growth of Brand Names Slows Slightly at Discounters

Nationwide DSN Report

Discount chains continued to sell more national name brand merchandise this year in all areas of their stores.

The trend toward greater national brand assortments, documented by *DSN* five years ago in its first Top Brands Survey, showed only marginal sign of slackening as 39 percent of discount store managers surveyed this year reported their stores are carrying more brands than they did a year ago.

Competition Increases

About half of the managers surveyed said they are selling about the same number of name brand items this year. After name brand gains of 61 percent in 1983, 54 percent in 1984, 48 percent in 1985 and another 48 percent in 1986, this year's results are perhaps a portent of increased competition among national suppliers for space on discounters' shelves.

For the second year in a row, housewares and health & beauty aids were the categories exhibiting the strongest brand name growth. Other fast-growing brand name categories this year were household chemicals, sporting goods and men's and ladies' apparel.

Twenty-four percent of the discount store managers surveyed cited housewares as a category in which the number of national brands being carried has increased since last year. Among upscale discounters like Target, housewares brand growth was more dramatic. Almost four out of every 10 upscale store managers cited housewares as an example of increased brand penetration.

Health & beauty aids was mentioned by 21 percent of the managers surveyed. Again, upscalers helped spur brand name growth in this category as nearly one-quarter of upscale store managers mentioned H&BA as a department that has added more national brands.

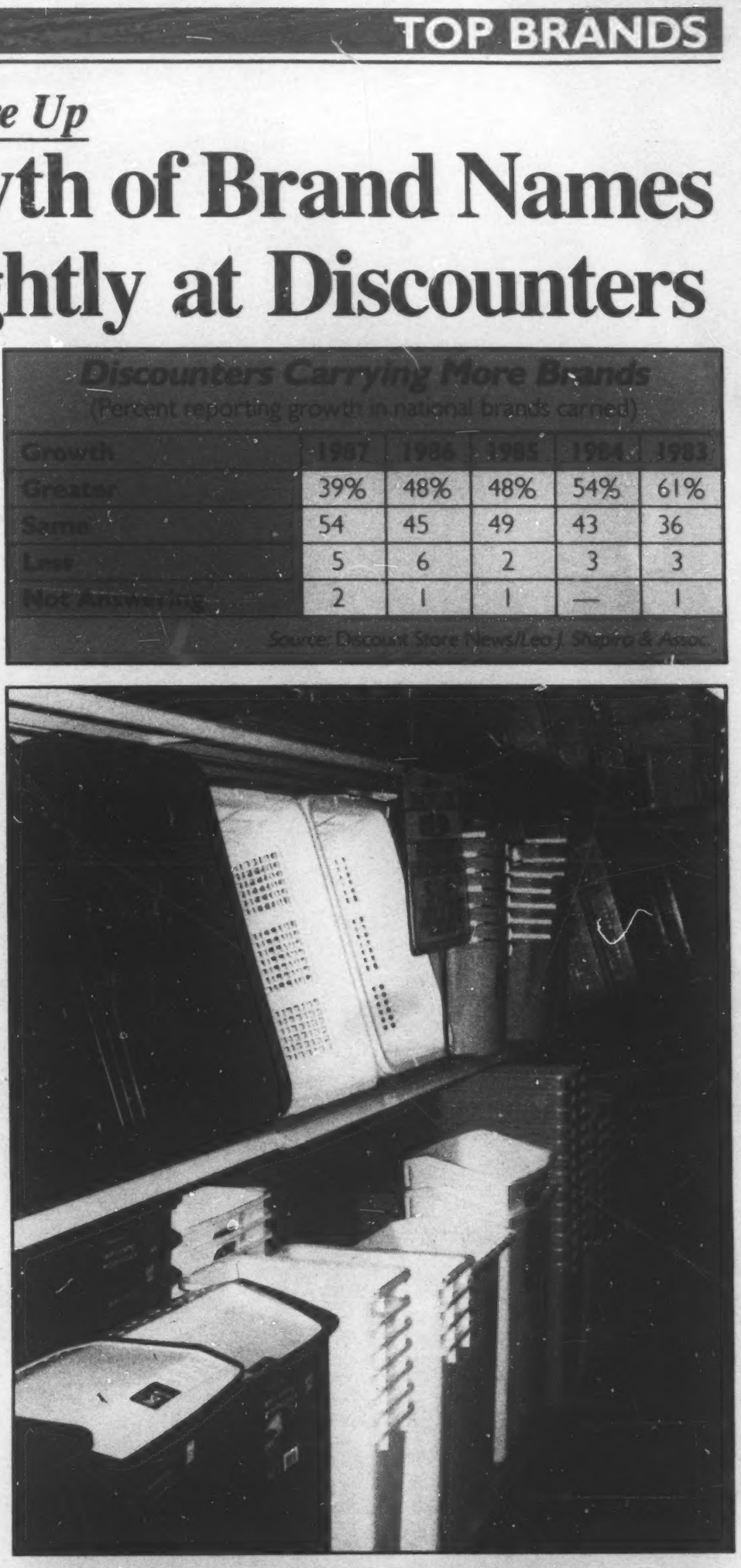
Household chemicals, unranked last year, jumped onto the top 10 ranking in 1987 as

(Continued on page 65)

Discounters Carrying More Brands
(Percent reporting growth in national brands carried)

Growth	1987	1986	1985	1984	1983
Greater	39%	48%	48%	54%	61%
Same	54	45	49	43	36
Less	5	6	2	3	3
Not Answering	2	1	1	—	1

Source: Discount Store News/Leo J. Shapiro & Assoc.



Since 1984, discount store managers have named housewares as the department experiencing the most growth in name brands carried. In the 1987 survey of top brands, Rubbermaid received the most mentions as a top brand, followed by Corning. (DSN photos)

Where Name Brands Are Growing—All Discounters

Department	1987	1986	1985	1984	1983
Housewares	24%	20%	22%	22%	20%
Health & Beauty Aids	21	17	14	22	16
Household Chemicals	11	5	3	—	—
Sporting Goods	11	9	5	8	8
Men's Apparel	11	14	16	21	23
Ladies' Apparel	10	17	18	22	26
Cosmetics	10	7	9	3	8
Hardware	8	11	9	10	18
Consumer Electronics	8	9	6	7	8
Automotives	6	3	3	4	5

Rate of Brand Name Growth Slackens Slightly at Discounters

(Continued from page 39)

slightly more than one out of 10 store managers cited that category for brand name growth. National brand household chemicals received stronger support from conventional discounters than from upscale discounters.

A resurgence in the popularity of branded sporting goods at conventional discount stores spurred an overall rise of that category. Managers of conventional discounters like K mart, Wal-Mart and Zayre mentioned sporting goods more than twice as often as upscale store managers, who gave greater support to such categories as consumer electronics and hardware.

Where Name Brands Are Growing—Conventional Discounters

Department	1987	1986	1985	1984	1983
Housewares	20%	19%	23%	22%	18%
Health & Beauty Aids	19	17	17	19	16
Sporting Goods	13	9	5	7	7
Household Chemicals	13	6	4	—	—
Cosmetics	12	8	12	3	10
Men's Apparel	12	9	14	19	25
Ladies' Apparel	12	13	19	23	25
Hardware	9	13	8	12	20
Consumer Electronics	8	13	5	6	8
Automotives	7	3	3	5	6

Source: Discount Store News/Leo J. Shapiro & Assoc.

Where Name Brands Are Growing—Upscale Discounters

Department	1987	1986	1985	1984	1983
Housewares	37%	23%	18%	21%	28%
Health & Beauty Aids	26	17	12	34	15
Men's Apparel	8	22	20	27	12
Consumer Electronics	8	3	8	10	8
Household Chemicals	8	3	2	—	—
Ladies' Apparel	7	24	15	21	31
Hardware	7	7	11	4	10
Sporting Goods	6	9	4	12	15
Children's Apparel	5	4	8	8	16
Cosmetics	5	3	3	—	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Brand Replacement

Overall, men's and ladies' apparel exhibited some slowdown in the growth of name brands. However, these two categories have been among the fastest growing for the past few years and this may be an area where replacement of brands rather than addition of new brands may be occurring.

In ladies' apparel, 11 percent of all managers cited brand name growth in the department, compared to 17 percent last year. Among upscalers, only 7 percent of the managers polled named ladies' apparel as a department where brands are growing. Last year, 24 percent of upscalers made that statement.

Conventional discounters indicated greater brand growth in ladies' apparel, as 12 percent, about the same figure as last year, cited the category.

This year, only 11 percent of all managers surveyed mentioned men's apparel as a top department for brand growth—down from 14 percent who cited the category last year.

The trend to expand national brands was more in evidence among conventional chains, according to the study. About 40 percent of the conventional store managers polled reported an increase in the number of brands carried in all departments. That figure compares to about 35 percent for upscalers.

Specifically, over half the store managers at Wal-Mart and Zayre said they carried more branded merchandise this year. Some four out of 10 K mart managers reported an increase in name brands and three out of 10 Target managers said their stores are carrying more name brands this year.

This exclusive nationally projectable study was conducted for *DSN* by Leo J. Shapiro & Associates, a Chicago-based research firm.

It was based on telephone interviews conducted with 300 discount store managers across the nation during the spring of 1987.

In addition to K mart, Wal-Mart, Zayre and Target, other discount chains polled included Bradlees, Caldor, Venture, Gold Circle and Fred Meyer.

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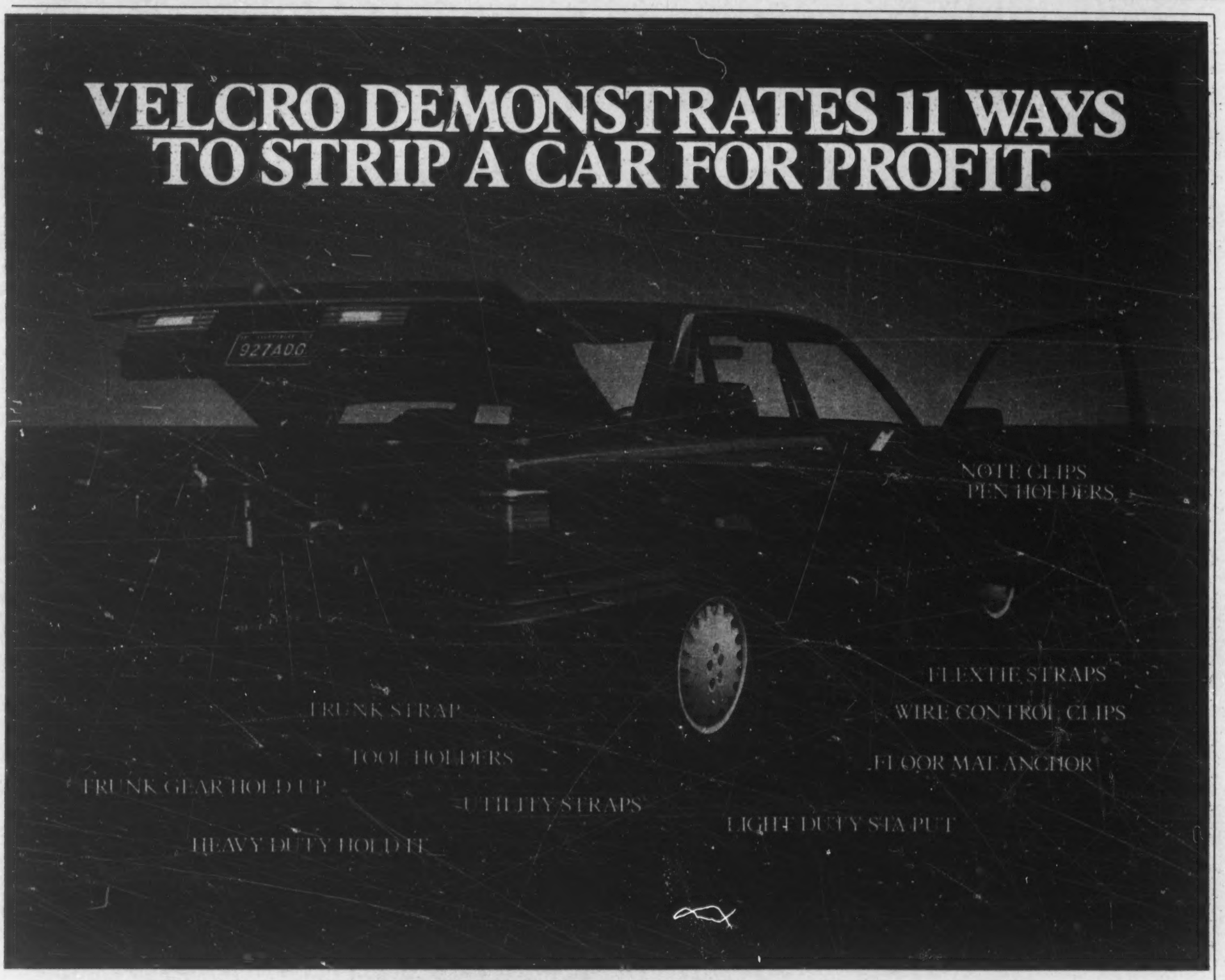
TOP BRANDS

Managers Attribute Success of Top Brands to Variety of Reasons

	Household Chemicals	Houseware	Hardware	Photo/Camera	Toys	Consumer Electronics	Food/Candy/Snacks	Domestics	Automotives	Stationery	Sporting Goods	Men's Apparel	Ladies' Apparel	Children's Apparel	Personal Care	Health & Beauty Aids	Cosmetics
They have good prices	20%	26%	23%	30%	15%	46%	24%	29%	28%	23%	26%	32%	34%	33%	29%	26%	33%
They advertise heavily	36	17	15	19	29	19	27	8	31	17	11	22	29	14	27	34	30
Good product/quality product	8	23	33	24	21	28	10	33	12	6	19	24	16	28	8	5	7
National brand	27	28	37	35	28	21	32	32	28	29	35	34	24	35	28	30	25
They have wide variety	5	8	12	8	20	5	9	9	5	14	11	8	9	19	13	10	20
Sells well	15	5	9	4	5	5	8	7	10	6	3	7	4	10	2	5	9
Brand recognition	7	9	12	10	8	10	9	8	6	5	12	7	7	4	10	10	8
Only brand we carry	3	3	8	6	3	2	2	11	1	13	2	15	4	7	7	1	4
Sales/specials	12	5	9	7	4	10	9	10	16	4	11	8	7	6	13	10	4
People like this product	4	1	2	3	6	4	6	5	2	6	—	—	1	4	6	6	3
Displays	4	1	4	2	—	6	3	4	1	8	5	3	12	4	5	2	20
People request this brand	7	2	1	1	9	1	1	1	2	4	6	1	1	1	1	4	3
In-store promotions	3	5	4	2	2	4	1	2	6	4	4	1	6	2	2	3	3
Seasonal products that sell well	—	1	3	—	7	—	1	—	5	1	19	—	1	—	—	—	—
We advertise	6	6	2	2	2	6	4	4	5	1	2	2	1	1	5	4	2

Numbers exceed 100 percent due to multiple responses.

Source: Discount Store News/Leo J. Shapiro & Assoc.



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Store Managers Attribute Success To Effective Ads

Nationwide DSN Report

Discount store managers most often attribute the success of their best performing brands to advertising. It is not so much the product as the effectiveness of its advertising that is seen by store managers as creating winners.

Those observations are culled from a special supplement to *DSN*'s 1987 Top Brands Survey that asked store managers to present the reasons behind the success of their top brands. They also help explain why brands regarded in their judgment as top performers are not necessarily the brands with the highest sales volume. It appears that an effective advertising program, especially one that reaches store managers, can create a belief in the field that a brand is a top seller.

Product performance and product variety were other reasons cited most often by store managers as contributing to the success of their top performing brands. Significantly, while a product's price point is regarded as very important, price promotion is downplayed as an attribute of a winning brand. According to managers, top performing brands are more likely ones that have a good price point than products that are frequently on sale. However, upscale discounters placed more emphasis on price promotion than did their counterparts at conventional discount chains.

Of course, the importance of various attributes to the winning sales formula varies from product to product. For example, good prices are most often credited for spurring the success of consumer electronics and soft goods brands. A wide variety of products in a line is seen as an important element in the success of toys and children's clothing brands. Good displays can make the different in women's apparel. And, store location is most often critical to the success of candy, food and snack brands.

The chart above lists some of the most frequently mentioned attributes that contribute to top brands' success.

Apparel

Gitano Closes Gap on Lee in Ladies' Brands

Nationwide DSN Report

A number of name brands broke the stranglehold of fashion jeans that formerly dominated *DSN*'s list of best performing brands in ladies' apparel.

In past surveys, the top 10 performing brands in the ladies' apparel department, according to discount store managers, consisted of nine fashion jeans labels plus Playtex.

This year, nationally branded jeans and their concurrent line extensions account for just one-half the top 10 names on the 1987 Top Brands Survey, with the other half a mixture of private label and popular names in undergarments.

The most popular brand names in the ladies' apparel department continue to be Lee and Gitano, according to responses from discount store managers.

Interestingly, K mart's Jaclyn Smith and Hunter's Glen labels made the top 10 in ladies' apparel, ranking 5th and 10th, respectively. Although these brands are exclusively made for and sold by K mart, they raced by such popular brands as Jordache and Calvin Klein, which fell to 11th and 12th place, and Gloria Vanderbilt and Sasson, which did not make the list this year.

At K mart, nearly six out of 10 managers surveyed listed the Jaclyn Smith Signature Collection as a top performing name brand in the ladies' apparel department, causing the label to leapfrog over more nationally recognized names.

The popularity of the Lee brand name continues among discount stores, even though the manufacturer refuses to sell directly to such retailers as K mart and Wal-Mart.

This policy finally appears to be affecting the popularity of the Lee brand among discount retailers.

Gitano, ranked second but only by a very small margin, is gaining momentum in the marketplace among discounters.

This year, close to one-third of all discounters named both Lee and Gitano as top performing labels. Last year, Lee held a convincing lead over Gitano.

Both brands were rated equally as well by retailers operating small stores (under 60,000 square feet), medium-sized stores (60,000 square feet to 100,000 square feet), and large stores (over 100,000 square feet).

Lee is still a very popular brand label at upscale discounters like Target. Among these retailers, Lee strengthened its position with more than two-thirds the upscale store managers saying the jean label performs well in their stores.

Gitano, however, also strengthened its position among upscale retailers, growing from a response rate of two in 10 to four in 10 in 1987. Twenty percent of Target managers said Gitano is a top performing label, up from less than one in 10 a year ago.

Among conventional discounters like K mart, Wal-Mart and Zayre, Lee's popularity slipped from more than two in 10 responses last year to just less than that this year, while Gitano remained popular among a full one-fourth of all conventional store managers polled.

Third-place Wrangler lost some ground among discounters this year, especially conventional discounters, but strengthened its rating among upscale discount chains.

Chic, which held its fourth place ranking of last year, strengthened its position at upscalers, rising from a mention rate of one in 10 to two in 10.

Levi's, which continued to hold the sixth place spot on the top brands survey in ladies' apparel despite its policy of not selling directly to discounters, gained one percentage point in rate of mentions among conventional retailers over its 1986 response rate.

Upscalers mentioned the Levi's brand fewer than two in 10 times this year, compared to more than three in 10 last year, perhaps signaling a growing reluctance by these retailers to go outside the normal channels of distribution to secure product.

Fruit of the Loom, more popular for men's undergarments, made the top 10 brands survey this year in ladies' apparel, with its greatest number of mentions coming from the upscale discount store managers. When asked to name their best performing brands in ladies' apparel, more than one in 10 upscale discounters responded with Fruit of the Loom.

Among four of the top retail chains, Lee-brand apparel remains in the top spot, largely on the strength of responses from Target managers.

Target managers gave Wrangler, and not the overall No. 2 brand Gitano, the second-highest number of responses. One-half of all Target managers said Wrangler performs well in their stores, up from four in 10 last year. Chic ranked fourth and Levi's fifth.

Zayre managers put Gitano in the top spot with nearly six out of 10 responses. Wrangler was second, followed by Lee. Chic was a distant fourth.

Wal-Mart managers cited Chic more often than any other brand name in ladies' apparel, with four out of 10 responses, followed by Wrangler, with one-third naming the label as a top performing brand. Gitano

(Continued on page 73)

Gitano and Chic, shown at Shopko, Spokane, Wash., were mentioned by store managers as among their best performing brands in ladies' apparel. (DSN photo)

Top Brands Vary by Type of Outlet

Mass Discounters	Conventional Discounters	Upscale Discounters
31%	17%	65%
30	25	40
21	19	28
16	14	22
15	—	—
10	8	17
9	8	14
8	5	14
3	3	3
2	—	—
2	2	1
2	2	—

Source: Discount Store News 100 / Shapiro & Assoc.

MARKETWATCH

Apparel Hotline: (800) 332-3005 (212) 371-9400

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NEW YORK — The first of at least three specialty chains **R.H. Macy's** will be opening is called **Aeropostale**, a casual sportswear/weekend wear store with an "Indiana Jones"/Banana Republic-like merchandising environment. Three pilot units, ranging from 3,500 square feet to 4,500 square feet, will open within two weeks of each other, starting early next month, in Jersey City and Short Hills, N.J., and in the Pleasanton suburb of San Francisco. The name Aeropostale, which is a Macy's private label the department store has been merchandising for three years, is based on the French airmail service in Europe, North Africa and South Africa during the 1920s.

The second specialty chain, which is still under development, will be called Charter Club (also the name of another Macy's private label line), this one featuring career-oriented, higher-priced sportswear in misses' and petite sizes. The first Charter Club unit, which is expected to open next spring, could be in the New York metropolitan area. The third specialty chain will be developed around a private label intimate apparel line called Fantasies by Morgan Taylor, though the exact name of the chain has yet to be determined.

As many as eight new units among the three chains could be added next year, said Edward S. Finkelstein, Macy's chairman, adding that the retailer estimates a $500 million-plus sales gross from the specialty store venture by 1992. Richard Crystal, a senior vice president at Macy's New York, has been named president of the specialty store division.

* * *

NEWARK, Calif. — **Ross Stores, Inc.**, the off-pricer based here, rebounded in the second quarter to the profitable side of the ledger. In the quarter, earnings were $4.7 million, or 17 cents a share, up from a loss of $515,000 a year ago. Sales increased 18.5 percent to $131 million from $110.5 million. In the six months ended Aug. 1, earnings were $556,000, compared to the year-ago period's loss of $6.8 million. Sales for the six months increased 16.5 percent to $257.1 million from $220.6 million.

Underwear Label Upsets Ranking in Men's

Nationwide DSN Report

Fruit of the Loom has supplanted two jeans brands as the best performing men's apparel brand, according to a recent survey of discount store managers.

In *DSN*'s 1987 Top Brands Survey, Fruit of the Loom leapfrogged over Lee and Wrangler. Last year, Wrangler was the top performing brand, followed by Lee and Fruit of the Loom.

Fruit of the Loom was cited by nearly four out of 10 discount store managers, an increase from three out of 10 in 1986. The underwear brand showed equal strength among conventional and upscale discounters, with 38 percent and 40 percent of the managers, respectively, mentioning the brand as a top performer.

However, Fruit of the Loom strengthened its position with upscale discounters being mentioned as a top brand by 40 percent of the managers polled, compared to 26 percent last year.

Wrangler dropped eight percentage points to 35 percent from last year's 43 percent, and Lee fell by five percentage points to 31 percent from 36 percent. VF Corp., which acquired Blue Bell (Wrangler and Rustler) early last year, might be experiencing some strategic problems handling the two brands, industry observers have said.

Lee continued to be the best performing brand among upscale store managers, actually rising by 2 percent among those managers to 59 percent. It has always been VF's strategy, even before it acquired Wrangler and Rustler, to position Lee more strongly with the upscale chains.

Hanes remained the fourth best performing brand in men's wear, with 31 percent of the managers polled mentioning the underwear label. Also, Hanes was stronger than Fruit of the Loom with the upscalers. Hanes was the second-leading brand with that group (after Lee), with nearly one-half the respondents mentioning that brand as among their best performers.

McGregor nudged out Levi's for the No. 5 slot with 16 percent, up one percentage point over last year. McGregor, which ranked No. 7 the year before, strengthened its position with the upscalers—up 10 points to 28 percent—while losing ground with the conventional discounters—down to 11 percent.

Each of the top four men's wear brands received fewer mentions from K mart managers this year, which could indicate that chain's increasing commitment to its private label business.

Levi's, the country's best-selling jeans brand, continues to suffer among discounters, who are apparently becoming increasingly unwilling to acquire the product from a third party. It is Levi's policy not to sell directly to discounters.

Levi's dropped eight points to 13 percent, ranking it sixth in number of mentions among store managers. Not surprisingly, Levi's got most of its best brand mentions from the upscalers (21 percent) rather than the conventional discounters (10 percent).

While Levi's decline has been precipitous, the jeans manufacturer can look at it another way: The brand is so appealing that discounters go out of their way to get the brand and continue to rate it among the top 10—without the company's support.

Dickies, with all its strength coming from conventional discounters, tied Levi's for sixth place with 13 percent of the managers surveyed mentioning it as a top performer.

Holding in the No. 8 position is Rustler, a brand Blue Bell (Wrangler) was promoting for the discount and mass merchant market before Blue Bell was acquired by VF.

VF has continued that strategy but with a bit less success as far as store managers are concerned. While the Rustler brand held on to the eighth-ranked best brand, it was mentioned as a top performer by only 8 percent of the managers polled, compared to 14 percent last year. The brand appeals most to the conventional discounters (10 percent) rather than upscalers (3 percent).

Rounding out the top 10, Reed st. James, the multi-category brand created by a number of manufacturers for the discount and mass market, and Manhattan shirts tied for the ninth spot being mentioned as a top brand by 4 percent of the managers surveyed. Reed st. James was No. 9 last year but was mentioned by a higher percentage of managers. It continues to garner its strength from the upscalers (14 percent) rather than the conventional discounters (1 percent).

Manhattan, since it made the decision just last year to sell its basic brand to discounters, wasn't on last year's list. Not surprisingly, the shirt brand scored more favorably with the upscalers (12 percent) than with the conventional discounters (1 percent).

Garan, which was at 4 percent last year in the tenth spot, fell off the list this year.

Fruit of the Loom should tip its hat to Wal-Mart and Target because it was those two chains, along with Zayre, that helped the underwear brand jump to the No. 1 spot as the top performer this year.

Best performing brand mentions for Fruit of the Loom at Wal-Mart skyrocketed to 22 percent, with slightly more than one-half that chain's store managers naming the underwear as one of their best performing brands in men's wear. Fruit of the Loom was up a big 23 percent at Target, with 54 percent of that chain's manager's citing the brand. And, at Zayre, the underwear brand was up 12 percent to 58 percent, the largest percentage mention from among the top four discounters.

At K mart, Fruit of the Loom actually suffered a slight decrease, to 29 percent of total mentions, compared to last year's 34 percent.

Interestingly, each of the top four brands fell at K mart, which could indicate that chain's increasing commitment to its private label business.

Over half of all store managers surveyed said the reason for Fruit of the Loom's ranking is because it advertises heavily and has high consumer recognition because of that advertising.

On the other hand, less than one-fourth of all store managers said the Wrangler brand was appealing because of its advertising.

Nonetheless, Wrangler, which recently instituted a new, upscale series of national television ads, gained ground at upscale Target, suggesting perhaps that the more upscale appeal of Lee is rubbing off on Wrangler now that both brands are owned by VF.

Wrangler also picked up more best mentions among Zayre managers polled (to 49 percent, up 8 percent), while suffering significant drops at both K mart (down 26 percent to 27 percent) and Wal-Mart (down 22 percent to 60 percent).

Surprisingly, Lee lost ground at Target, dropping 11 percent in best mentions from last year. Lee gained ground with Zayre, lost at K mart and gained slightly at Wal-Mart.

However, Lee led all other brands when it came to store managers saying that product quality was the reason for a particular brand being the best performer.

Hanes improved practically across the board, with percentage increases in double digits at Target, Zayre and Wal-Mart, while suffering a small decline at K mart.

McGregor scored far better at upscalers like Target (32 percent) than with conventional discounters like K mart (1 percent) and Wal-Mart (13 percent), although the pants brand did do well at Zayre (33 percent).

Surprisingly, Wrangler for the first time made more of an impression somewhere other than the South. The brand brought its cowboy/rodeo appeal to the North Central region with a 6 percent increase over last year while suffering a 9 percent fall off in the South.

The jeans brand suffered most, however, in the West, with a 30 percent drop to 16 percent.

Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Fruit of the Loom	29%	51%	58%	54%
Wrangler	27	60	49	59
Lee	6	6	62	54
Hanes	21	27	52	44
McGregor	1	13	33	32

Source: Discount Store News, Levi Strauss & Assoc.

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Fruit of the Loom	39%	38%	40%
Wrangler	35	33	38
Lee	31	20	59
Hanes	31	24	48
McGregor	16	11	28
Levi's	13	10	21
Dickies	13	18	1
Rustler	8	10	3
Reed st. James	4	1	14
Manhattan	4	1	12

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Fruit of the Loom	33%	37%	46%	35%
Wrangler	26	40	46	16
Lee	57	26	40	3
Hanes	41	26	38	18
McGregor	23	13	23	3
Levi's	8	8	18	19
Dickies	8	21	9	12
Rustler	4	12	11	3
Reed st. James	8	1	8	1
Manhattan	14	3	3	—

APPAREL

LADIES'/TOP BRANDS

Gitano Closes Gap on Lee in Listing Of Top Brands in Ladies' Apparel

(Continued from page 69)

was third, Levi's fourth and Lee fifth.

The Jaclyn Smith line of apparel at K mart is the strongest performing label in its ladies' apparel department, according to responses, with Gitano a distant second followed by Wrangler, Chic, Playtex and Hunter's Glen, another exclusively K mart label, which were tied.

Each brand name is popular for a variety of reasons, according to retailers surveyed. Although price was cited most often as a reason for a label's success, advertising and national brand recognition followed closely.

In fact, the K mart managers reporting that the Jaclyn Smith label was their best performing brand said the company's advertising program was the reason for its success.

Of the managers naming Lee first as a best performing brand, the name was cited as the top reason for the label's success. Price was cited next, and advertising and quality tied for the third and fourth reasons for the product's success at discounters.

Survey respondents that gave Gitano a first mention as a top performing brand gave equal weight to price, advertising and national brand name recognition for the success of the label.

Sale specials were listed more often as the reason for the success of Chic, among managers giving that label a first response. Price was the reason for the success of Wrangler, according to managers who cited Wrangler first as a top selling brand in ladies' apparel.

Regional Strengths

Regionally, K mart's Jaclyn Smith Signature Collection ranked as the top ladies' apparel brand in the West, with one-third of respondents naming the exclusive label. This is testament to the strength of K mart in this region.

Levi's collected mentions as a best performing brand from nearly two out of every 10 discount store managers in the West. Fewer than one in 10 managers in the West named Gitano and Fruit of the Loom as among their best performing brands.

In the North Central region, Lee received the most responses, with more than four in 10 managers mentioning the popular jeans brand as a top performer. Gitano and Wrangler, with nearly identical results, were ranked second and third in the region. Southern-based retailers tied Lee and Gitano for top honors, each with nearly one-third of all respondents in this region naming these two brands. Wrangler was a close third with more than two in 10 naming the popular jean label, which was also followed closely by Chic in fourth place.

Northeastern discount store managers named Gitano most often as a best performing brand, with more than one-half the surveyed respondents naming the label as a top brand. Lee was second, with more than four in 10 naming the popular jeans label. Playtex was a very distant No. 3 in the Northeast, with fewer than two in 10 mentioning the brand.

Brands	K mart	Wal-Mart	Zayre	Target
Lee	3%	2%	25%	62%
Gitano	19	16	58	22
Wrangler	13	33	31	50
Chic	11	40	2	36
Jaclyn Smith*	56	—	—	—
Levi's	2	4	—	29

Brands	Northeast	South	North Central	West
Lee	45%	29%	42%	4%
Gitano	53	29	31	8
Wrangler	17	23	32	5
Chic	8	21	23	4
Jaclyn Smith*	2	13	16	33
Levi's	8	4	15	17
Playtex	19	4	10	8
Fruit of the Loom	10	6	8	8
L'Eggs	2	4	6	—
Hunter's Glen*	2	2	2	4
Jordache	6	1	1	—
Calvin Klein	6	1	1	—

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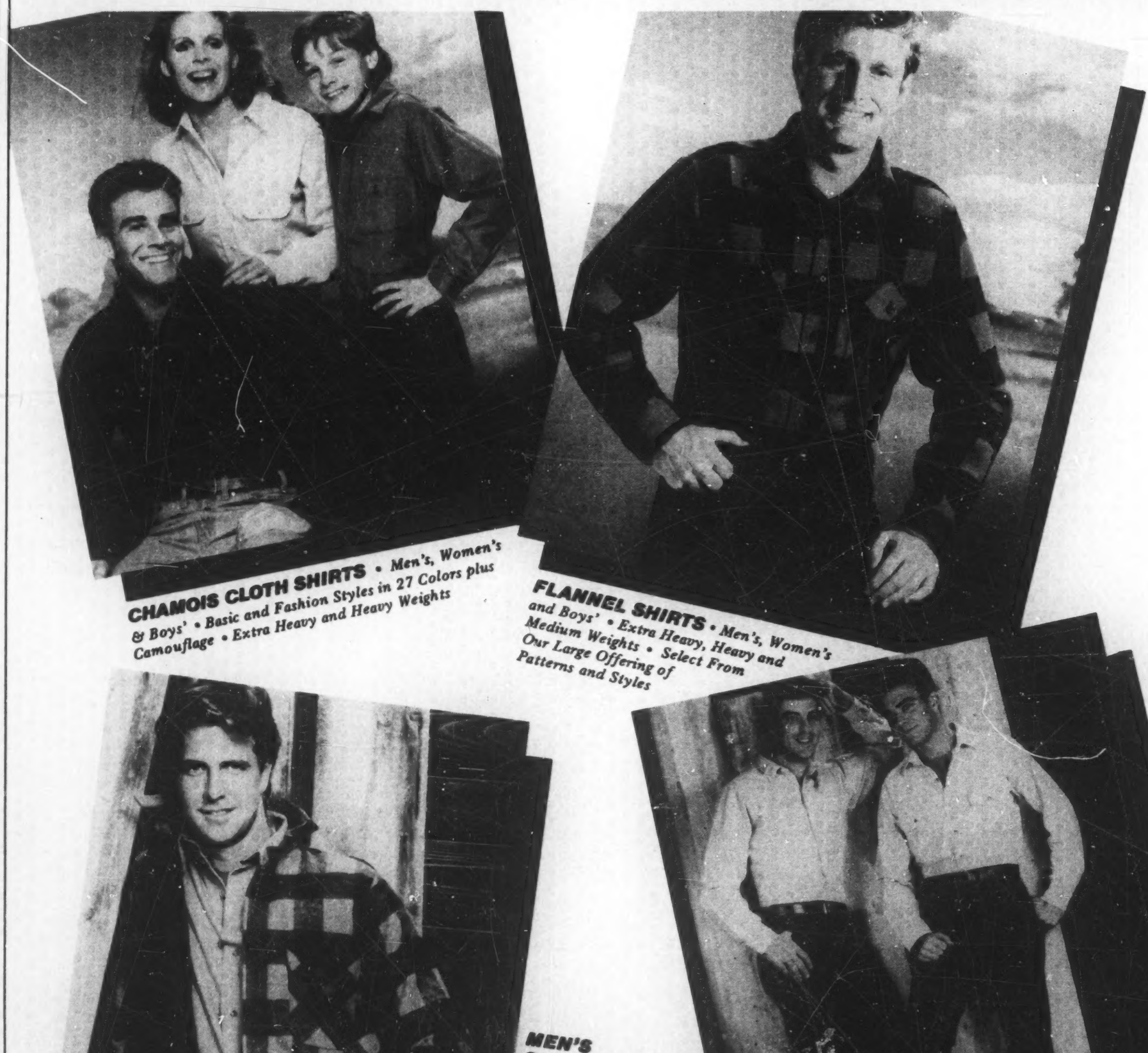

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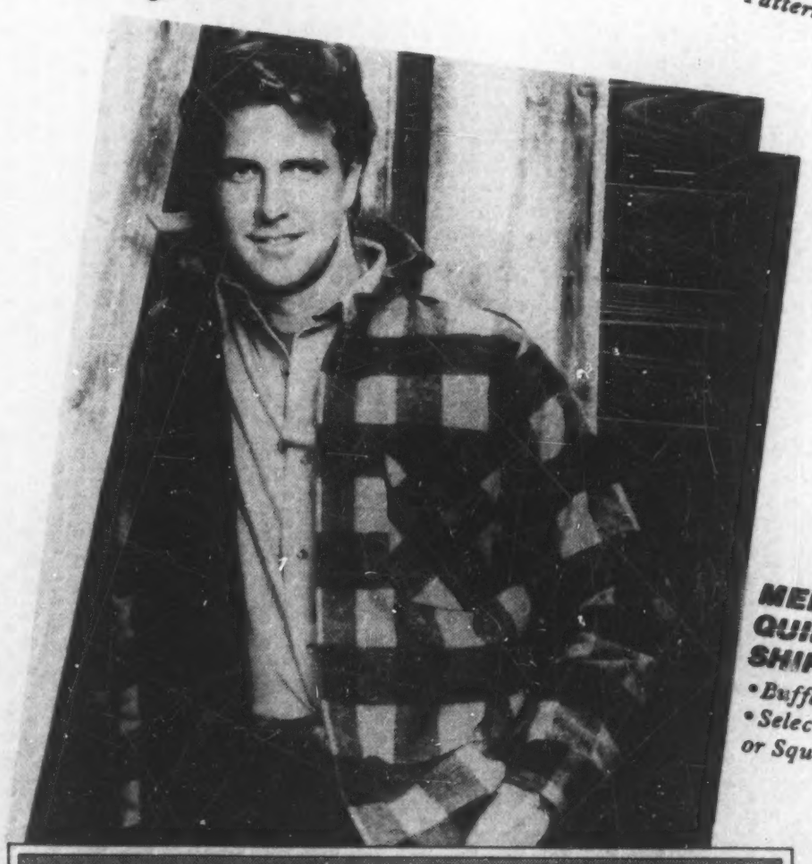

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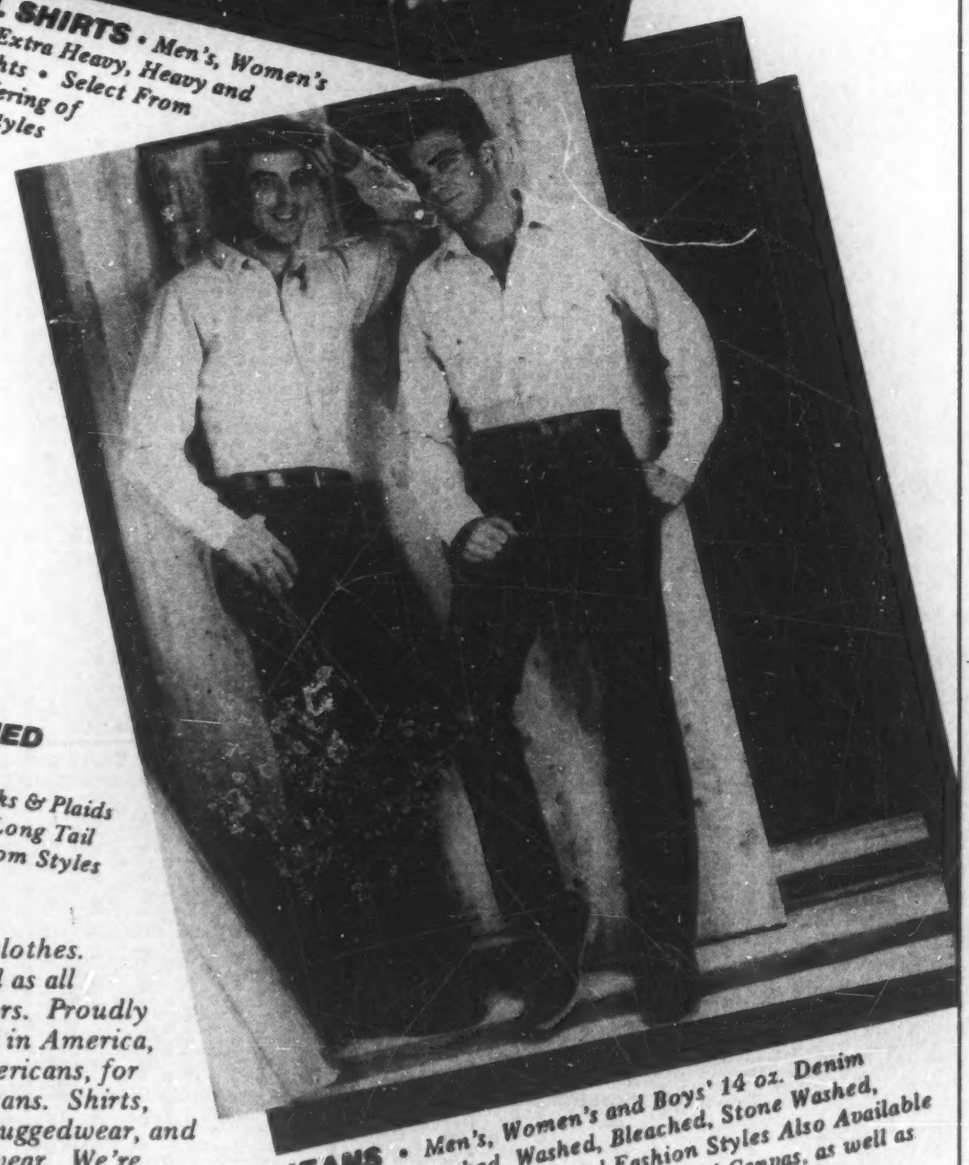

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Diapers, Underwear Are Top Kids' Brands

Nationwide DSN Report

Brand appeal was relatively weak in infants & toddlers and children's apparel departments, as diaper and underwear brands dominated the top 10 list of best performing brands in this category this year.

Fruit of the Loom jumped from the 10th position in 1986 to No. 1 this year, yet, even so, the underwear brand was mentioned by less than two of every 10 store managers as among their best performing brands.

In contrast, the men's apparel top brand (also Fruit of the Loom) was mentioned by more than one-half the store managers, and in women's apparel, one-third of the managers surveyed cited the top brand (Lee) as among their best performing.

In infant & toddlers/children's, Fruit of the Loom was mentioned by 16 percent of the managers, enough to rank the brand No. 1 in *DSN*'s 1987 Top Brands Survey. The underwear brand gained 12 percentage points from last year.

There are also four newcomers to the top 10 this year—Pampers, Huggies, Carter and Hanes, in the Nos. 5, 7, 9 and 10 slots.

This reflects the perception among store managers that diapers are part of their apparel departments. Increasingly at many discounters, diapers are being stacked in infants & toddlers departments.

Dropping out of the top 10 list this year were Garan, Levi's, Health-tex and Gerber, all but the latter representing more children's wear than infants & toddlers.

Tied for second in number of mentions by store managers, following Fruit of the Loom, were two jeans brands, Wrangler and Lee, and an infant brand, Curity.

Following the pattern in men's apparel, Lee, with 14 percent of mentions in children's apparel, appeals much more to the upscale discounters (25 percent) like Target than conventional discounters (9 percent) like K mart and Wal-Mart. One-fourth of the upscale managers mentioned Lee as a top performing brand, while just under one out of 10 conventional store managers cited that brand. Wrangler, with 14 percent of the overall mentions, received about the same percentage of mentions at the upscale and conventional stores.

Last year, Wrangler was ranked second with 15 percent of total mentions, and Lee was third with the same 14 percent of mentions it garnered this year. Curity also was mentioned by 14 percent of the managers surveyed last year.

Tied for fifth place this year in the survey of store managers were Pampers and Garanimals, both with 11 percent of total mentions.

Pampers is new to the list and is appealing a bit more to the upscalers (14 percent of those managers cited it as a top performing brand) than to the conventional stores (10 percent).

The children's Garanimals brand, which received the largest percentage of total mentions in this category last year, received about 11 percent of mentions this year.

Huggies, with 7 percent of total mentions, ranked No. 7. The diaper brand showed more strength among the upscale stores than with conventional discounters. About 12 percent of upscale store managers mentioned Huggies as among their best performing brands vs. only 6 percent of the conventional store managers that cited the brand. Huggies was not among the top 10 brands mentioned by managers polled last year.

Spencer's ranked No. 8 this year, with the same 6 percent of total mentions that it received last year. Spencer's picked up ground, however, at the upscale discounters. About 4 percent of the upscale store managers cited Spencer's as among their top brands this year, whereas last year all Spencer's mentions came from conventional store managers.

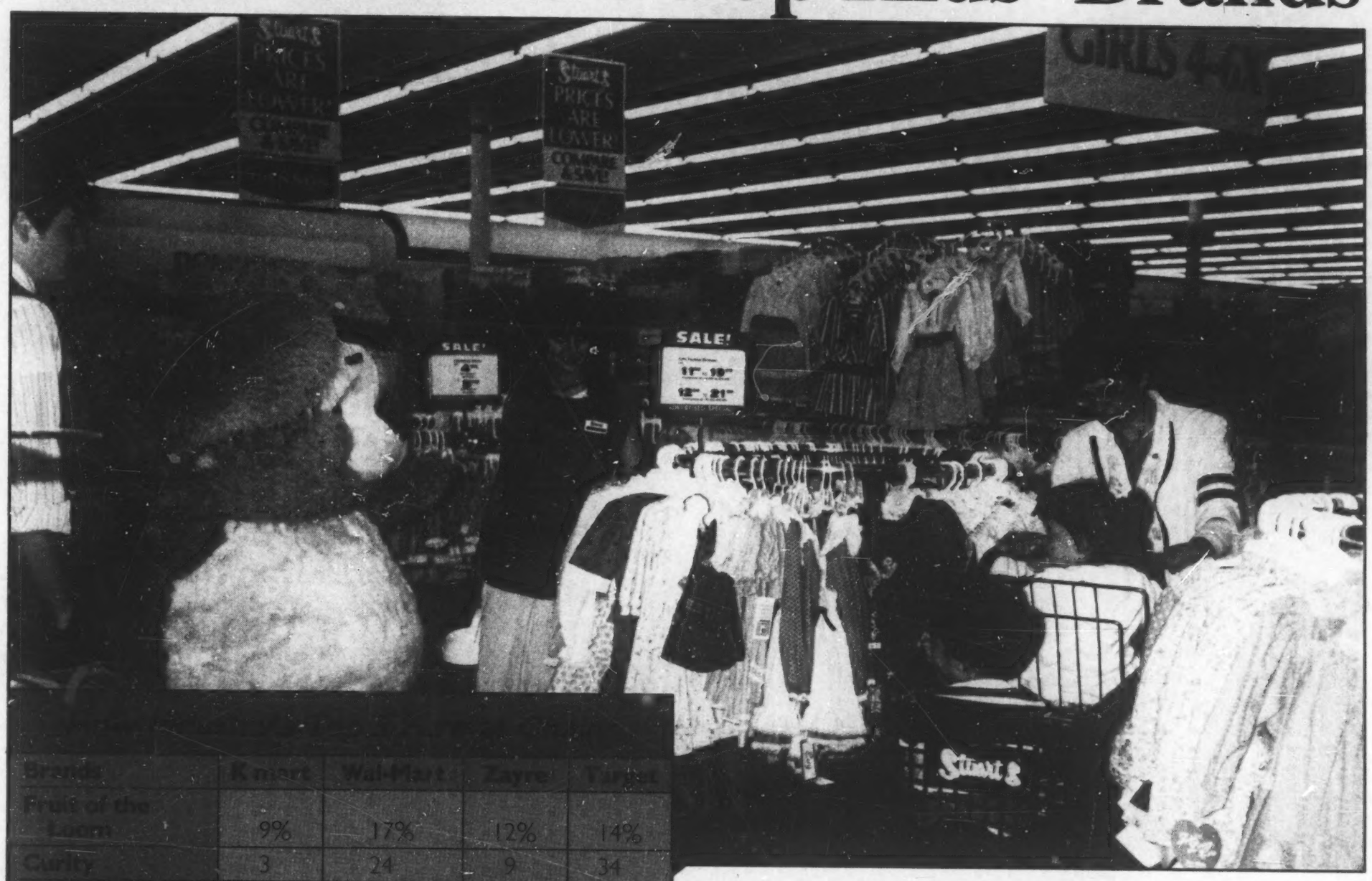
Tied for the ninth rank with 5 percent of the total mentions each were Carter and Hanes, with both showing comparatively uniform appeal between the two groups of discounters (both scored 4 percent with the conventionals, while Carter was one percentage point higher, at 5 percent, than Hanes, at the upscalers).

This year's list reflects a much stronger showing by brands in infants & toddlers departments than in children's (boys and girls) departments.

Fruit of the Loom showed uniform strength among the top four chains: 9 percent of mentions at K mart, 17 percent at Wal-Mart, 12 percent at Zayre and 14 percent at Target.

Regionally, the top underwear brand showed a lot of strength in the West (with 20 percent of mentions there, up from 1 percent last year). Fruit of the Loom received more mentions in that region than any of the other parts of the country. Fruit of the Loom was mentioned by 16 percent of the managers in the South and North Central states (up from 2 percent and 3 percent, respectively), and was mentioned by 10 percent of the Northeast store managers, down slightly from 1986.

(Continued on page 76)



Brands	K mart	Wal-Mart	Zayre	Target
Fruit of the Loom	9%	17%	12%	14%
Curity	3	24	9	34
Wrangler	7	25	12	28
Lee	—	—	32	20
Pampers	6	19	20	4

This year's top brands list reflects a much stronger showing by brands in infants & toddlers departments than in children's (boys and girls) departments.

One of three Zayre managers cited low price as a factor contributing to the success of their top performing brands. (DSN photos)

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Fruit of the Loom	16%	14%	20%
Curity	14	8	32
Wrangler	14	13	15
Lee	14	9	25
Pampers	11	10	14
Garanimals	11	12	9
Huggies	7	6	12
Spencer's	6	7	4
Carter	5	4	6
Hanes	5	4	5

Brands	Northeast	South	North Central	West
Fruit of the Loom	10%	16%	16%	20%
Curity	27	8	22	1
Wrangler	8	18	17	8
Lee	22	14	18	—
Pampers	14	7	18	4
Garanimals	8	14	14	3
Huggies	10	5	12	1
Spencer's	10	7	3	6
Carter	10	—	2	12
Hanes	2	2	7	6

Diapers, Underwear Are Strong Performers in Kids' Brands

In the Northeast region, Curity received the largest percentage of mentions by discount store managers as a best performing brand, followed by Lee, Pampers, Spencer's, Huggies, Carter, Fruit of the Loom, Garanimals, Wrangler and Hanes. (DSN photo)

(Continued from page 74)

Curity, like Lee, and, surprisingly, Wrangler as well, did far better at Target, with 34 percent of that upscale chain's managers mentioning the brand, than with K mart (down 8 percent to just 4 percent of mentions by K mart managers). At Wal-Mart, Curity was mentioned by 24 percent of the managers, compared to 16 percent last year.

Ranking second at Target behind Curity was Wrangler, with 28 percent, up 15 points from the percentage of mentions last year. Lee was mentioned by 20 percent of the Target managers, about 14 points below last year.

Pampers scored uniformly well at three of the four chains. Pampers received 19 percent of the mentions at Wal-Mart, 20 percent at Zayre and 14 percent at Target. Six percent of the K mart managers cited Pampers as among their best performing brands.

Regional Strengths

Regionally, the strongest brand in the Northeast this year was Curity with 27 percent of the mentions in that region. Lee followed with 22 percent, Pampers garnered 14 percent, and Spencer's, Huggies, Carter, Fruit of the Loom, Garanimals, Wrangler and Hanes rounded out the roster of brands receiving the most mentions by Northeastern store managers.

In the South, Wrangler, predictably, topped all brands with 18 percent of the mentions. But as in men's, Wrangler also picked up ground in the North Central region, up to 17 percent from 13 percent.

After Wrangler in the South, the next three best performers were Fruit of the Loom (16 percent), Garanimals and Lee (both with 14 percent), followed by Curity, Spencer's, Pampers, Huggies and Hanes.

Curity did well in the North Central states (22 percent), as did Lee and Pampers, both with 18 percent of mentions.

After Fruit of the Loom in the West, Carter was next with 12 percent and then Wrangler with 8 percent, followed by Hanes and Spencer's (both 6 percent), and then Pampers (4 percent) and Garanimals (3 percent).

Newcomers to the list, Pampers and Huggies displayed more strength in smaller size stores (60,000 square feet and less), while Fruit of the Loom and Curity did better in larger stores (over 100,000 square feet).

When asked for reasons why certain brands were among their best performing, store managers specifically cited Lee for its advertising. In contrast, not one manager advanced advertising as a reason for choosing Wrangler as among the top performers.

More than one-half of the managers responding to the question of why Wrangler was a top performing brand mentioned product quality as a reason, while only just over one-third said quality was the factor that contributed to Lee's success.

Overall in infants & toddlers and children's apparel, Wal-Mart appeared to be the most price sensitive: More than two of three of Wal-Mart store managers, when asked the most important reason why a brand was among their best performing, said it was because of its low prices.

The next most price sensitive chain was Zayre with just over one of three store managers citing low price as a reason for a brand's success. One of three K mart managers and just one out of four Target managers said low price was a reason why a brand was one of their best performing in the category.

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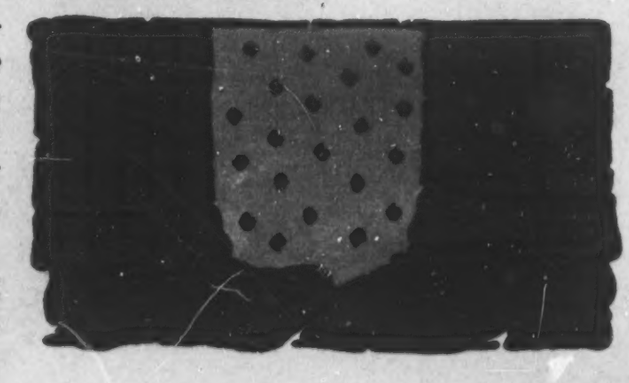

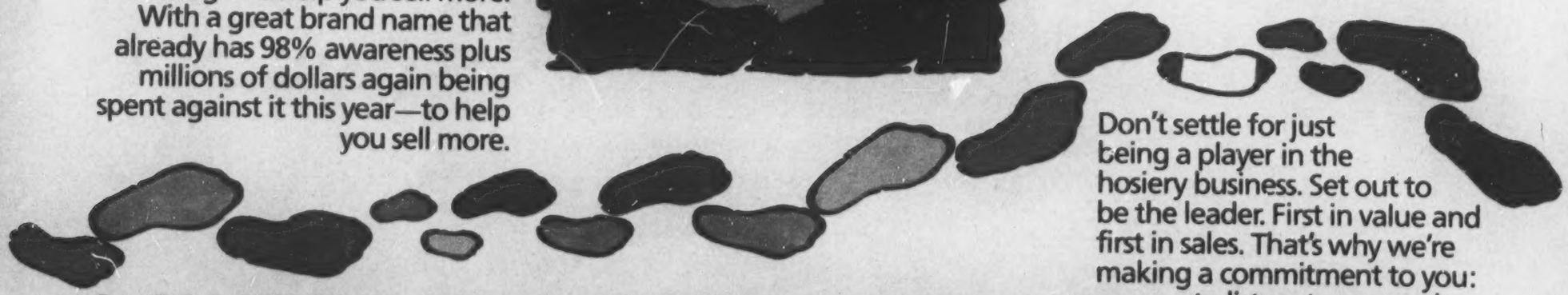

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Top Brands

Home Products

Leaders Hold Perch on Housewares Brands List

Nationwide DSN Report

While all other housewares vendor rankings were scrambled this year, the two dominant manufacturers, Rubbermaid and Corning, maintained their leading positions on *DSN's* 1987 Top Brands Survey.

The significantly different top 10 vendor roster can be attributed to several reasons. Acquisitions among top vendors was one factor that altered rankings. An apparent shift in consumer preference for relatively new product lines over established brands was another element that resulted in the new order.

brands tied for third place. Together with ninth-ranked Wearever Proctor-Silex, those brands were the only electric appliance vendors that made the top 10 roster.

Corelle moved from third place to fifth place and Visions—previously not on the chart—earned its way to sixth place, partially contributing to the drop in the ranking of Pyrex to 10th from seventh last year. The explosive growth of Visions indicates just how far truly new products can gain recognition in housewares within a short period of time.

While Pyrex is primarily for oven

Rubbermaid was singled out as the No. 1 brand in the housewares department. Four out of 10 managers surveyed in the Top Brands study cited the importance of the quality of the products and national brand name as the reason for its success.

Rubbermaid was far and away the No. 1 brand singled out in the housewares department, according to discount store managers who named the plastics vendor more often than any other vendor as the best performer in the category.

Rubbermaid's presence in everything from microwave cookware to waste paper baskets and serving utensils—all under a single brand name—no doubt encouraged the label's top-of-mind awareness. Established as the color trend leader in many discounter housewares departments, Rubbermaid outdistanced competing plastics manufacturers in this survey.

Like Rubbermaid, General Electric had long been part of the meat and potatoes of the housewares department. While it has been well over a year since General Electric sold its kitchen appliance business to power tool vendor Black & Decker, both names generated high mentions among those surveyed. The very sale of the appliance business appears to have stimulated brand performance recognition between 1986 and 1987.

Last year, General Electric was eighth place and Black & Decker was ninth place. And this year both

use and the majority of Visions pieces are intended for stove-top cooking, some overlap does exist and could have boosted Visions performance, as viewed by store managers, at the expense of the Pyrex brand.

"The clear, see-through, tempered glass offers visibility and the temperature of the pot itself does not heat up too much," one manager said about Visions, the brand he cited first as a top department performer.

Another manager said the fact that Visions is "easy to clean" and "can be used in a microwave oven " were other features that established Visions as a clear performance leader.

"See-through" quality was also noted as an attribute that helped garner a number of mentions for Pyrex. "A lot of people's parents had Pyrex so they want it," was another reason for the high number of its mentions.

Adding the Corning, Visions and Pyrex brand performance figures together brings the Corning company as a whole a much closer second to the Rubbermaid leader.

Anchor Hocking slipped from fifth place to seventh place. SilverStone coating by DuPont—not a brand of housewares but rather a brand of non-stick coating applied to a variety

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Rubbermaid	48%	42%	62%
Corning	21	21	21
Black & Decker	13	11	17
General Electric	13	11	17
Corelle	12	13	7
Visions	10	13	5
Anchor Hocking	9	10	4
SilverStone	9	10	7
Proctor-Silex	8	7	11
Pyrex	8	7	10

Source: Discount Store News/Leo J. Shapiro & Assoc.

Non-electric housewares brands took seven of the 10 top spots on the DSN *Top Brands Survey. The Towers prototype, Dartsmouth, Nova Scotia, positions housewares across from home furnishings.* (DSN photo)

of branded goods—fell from fourth place to eighth place.

Wearever Proctor-Silex, a brand that did not make last year's top 10 roster, took ninth place among discount store managers.

K mart, Wal-Mart, Zayre and Target store managers each have their own idea of which brands work best in their housewares departments.

Corning's recognition among Target store managers was the most significant brand increase among the four chains whose results are broken out separately. Last year, Corning attracted less than one out of 10 mentions among Target managers. This year, one-fourth of the store managers at the Minneapolis-based upscale discounter mentioned Corning as among their best performing brands.

When asked what makes Rubbermaid and Corning top housewares department performers, store managers who cited those brands stressed

(Continued on page 80)

MARKETWATCH

ENCINO, Calif. — Discovery Associates, a financial management firm which last December purchased **Leo's Stereo**, a 44-store Southern California consumer electronics chain, announced it has restructured the terms of that acquisition and converted $1.5 million of its debt to equity. Discovery said it will pay the original management of the retailer $1.24 million in cash and release certain mutual claims including the termination of an arbitration proceeding against the sellers. In addition, it exchanged 1.48 million shares of its restricted common stock for a $1.5 million promissory note issued in connection with the acquisition of the $95 million chain. Leo's present management has agreed to new long-term employment contracts. "The immediate infusion of cash into Leo's Stereo and the reduction in future debt service requirements will have both immediate and future positive results," said Discovery chairman Harvey Bibicoff. In addition to operating small CE stores, Leo's also manufactures its own proprietary product lines.

* * *

MAHWAH, N.J. — **Sharp Electronics Corp.** has formed a Personal Home Office Electronics Division to consolidate efforts for such products as compact copiers, personal facsimile units, portable electronic typewriters, home medical equipment; consumer, scientific and financial calculators and low-end cash registers.

Product	1987 1st 8 months	1986 1st 8 months	Percent Change
Color TV	11,599,845	10,753,285	7.9%
Monochrome TV	1,932,038	2,323,584	(16.9)
Projection TV	159,407	168,152	(5.2)
Color TV with Stereo	2,205,120	1,705,461	29.3
Home VCR*	7,626,346	7,430,067	2.6

Shift in Consumer Preference Alters Top 10 Housewares List

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Rubbermaid	63%	50%	51%	25%
Corning	26	18	23	18
Black & Decker	14	7	12	23
General Electric	18	6	13	18
Corelle	10	9	15	11
Visions	6	14	12	6
Anchor Hocking	4	13	9	7
SilverStone	6	11	9	8
Proctor-Silex	10	6	9	9
Pyrex	8	9	7	9

Source: Discount Store News/Leo J. Shapiro & Assoc.

(Continued from page 79)
the importance of the quality of the products and the national brand names.

Half of those managers who mentioned Corning among their top performers said it was the quality of the merchandise that put Corning above the rest; four out of 10 who mentioned Rubbermaid also cited that reason. Of managers who mentioned the two leaders as among their best performing brands, roughly four out of 10 cited the importance of the national brand name as the reason for the success of either Rubbermaid or Corning in their stores.

"Rubbermaid makes lasting goods; they seem to endure," was one comment representative of several responses from discount store managers surveyed in the study.

This is in marked contrast to some other categories of merchandise where low price, frequent advertising or line variety were integral to brand success. While these elements were also noted to be of importance in the housewares category, clearly performance hinged more on quality and name recognition.

Not only are the Rubbermaid and Corning brands atypical among other categories, they are also atypical among the other housewares brands that were cited as best performers.

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Rubbermaid	21%	66%	64%	49%
Corning	18	18	13	25
Black & Decker	14	—	4	15
General Electric	11	—	5	16
Corelle	15	28	—	7

Source: Discount Store News/Leo J. Shapiro & Assoc.

Product Quality

Product quality was a factor among less than a quarter of the votes for why a given name brand outdistanced others. The importance of having a national brand name was cited by less than three out of 10 of respondents overall.

Price plays a bigger role among other housewares brands, as far as store managers are concerned; more than a fourth of them attributed success of housewares brands to how much the item costs the consumer.

Brand performance figures by region indicated an overall fall in performance in the South, with the exception of GE, B&D, Anchor Hocking (which remained at last year's level) and chart newcomers Visions and Wearever Proctor-Silex.

Total top 10 brand name mentions also tumbled in the West. Northeast and North Central gains between 1986 and 1987 were tabulated for Rubbermaid, Corning, the electrics brands and Visions.

Among the brands that received considerable response from an individual chain, but not enough to make the top 10 roster, were Ekco and Mirro at Wal-Mart, Foley at K mart, Sterilite and Suburbanite at Zayre, and Norelco and Foley at Target.

Stuarts prototype in Nashua, N.H., utilizes national label signing to draw traffic to housewares and other brand sensitive categories. (DSN photo)

"SEE YOU AT THE SHOW!!!"

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We're also releasing floor plans and a roster of all exhibitors and their booth locations, extra early this year. This means more than 14,000 buyers will be able to plan their movements, appointments and business long before their arrival in Chicago.

And, we're providing specific buyer lounges throughout McCormick Place so buyers from each class of trade will have their own rendezvous points to meet or find their peers.

New rendezvous points for buyers

Buyer advance Show organizer kits available

You see, NHMA wants to make certain the time and energy Housewares buyers commit to attending this world-class event are the most rewarding and gratifying they spend on business anywhere in the world.

So, now's the time to double-check your travel and hotel plans. NHMA's "Customers' Show" opens Sunday, January 10 through Wednesday, January 13.

See you at "The Show!!!"

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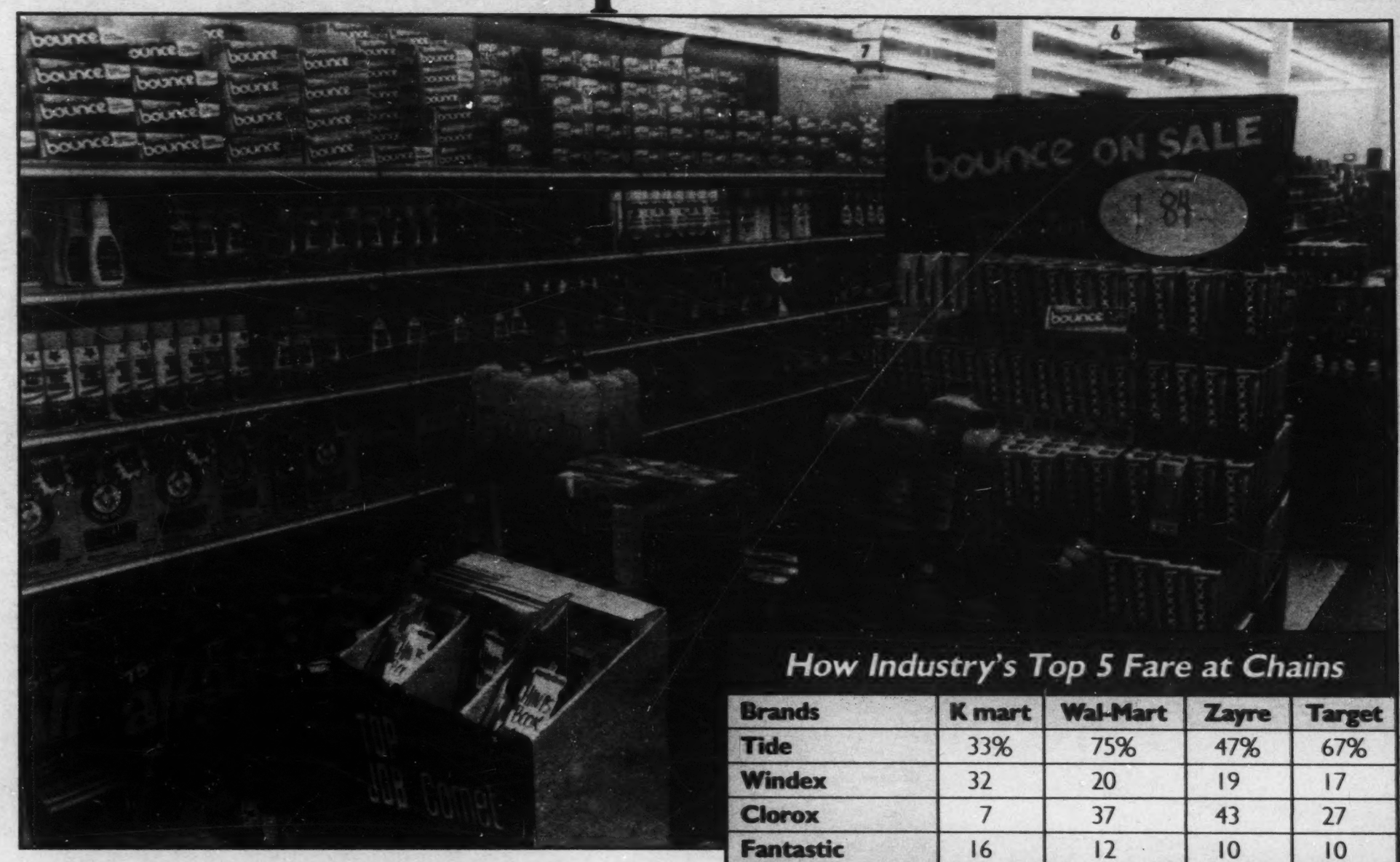
Tide Scores Clean Sweep At Discount Stores



Household cleaners from laundry detergents to spot removers line discounters' shelves and sometimes crowd the aisles for quick sales and fast turns.

Nationwide DSN Report

Tide laundry detergent was again the No. 1 product on the top 10 list for household cleaners and chemicals, substantially outpacing its own 1986 performance in the *DSN* Top Brands Survey.

Research has again revealed that when store managers were asked what brand name products perform best in the household cleaners and chemicals department, Tide came out on top in every category sampled: by outlet, by specific retailer, by region of the country and by store size.

The product's weakest showing was in the Western region, where store managers rated Tide as performing equally as well as Windex. Both products were mentioned as top performers by three out of 10 managers surveyed in this region, which tied them for first place.

In every other instance, Tide not only outperformed the second place finisher, it did so by a large margin. In some instances, overall second-place finisher Windex was edged out by Clorox for the No. 2 position.

For example, more than half the upscale discounters surveyed mentioned Tide as the best performer in the household chemicals department, up from four of 10 managers in the 1986 survey. Windex came in second to Tide among these retailers with fewer than three in 10 mentioning the laundry detergent. And, Clorox was mentioned by two of every 10 managers surveyed.

Throughout the survey, Tide, Windex and Clorox received more prominent brand recognition by store managers as top sellers than they did in the 1986 study.

Among all discounters surveyed and among conventional discounters such as K mart, Wal-Mart and Zayre, Tide held substantial first place leads over Windex, which was the No. 2 brand. All discounters mentioned the Tide brand nearly half the time, whereas, Windex was named as a top performer by nearly one-quarter of the respondents.

More than 40 percent of conventional discounters said Tide was the top performer, up from three of 10 a year ago. Windex was mentioned by 23 percent of the surveyed store managers as a top selling brand, down five percentage points from last year.

The strength of the Tide brand in discount stores has been growing in the last few years, gaining more momentum recently because the popular laundry detergent is available in both liquid and powder form, observed Gene O'Donnell, vice president, hard lines at Hills Department Stores, Canton, Mass. The introduction of the liquid Tide only served to expand the market for the product, O'Donnell said.

Despite Tide's commanding lead in the household cleaners and chemicals category, it was not the only brand to increase its share of store manager attention.

Clorox, last year rated fifth on the top brands list, jumped two places in the 1987 survey to take the third place spot. Procter & Gamble, which held the third place spot last year, was represented in this year's survey by a number of its products, including Tide, Cheer, Dawn, Comet and Downey. If added together, Procter & Gamble products would have taken the No. 1 spot on this year's survey. More than six out of 10 discount store managers named one of that Cincinnati-based supplier's products as among their best performing brands.

Rounding out the top 10 brands was Fantastic in fourth place, up from sixth last year, followed by Dow, up two notches to fifth place; Lysol, down from fourth place; Cheer, which is new to the list; Dawn, also new to the list; Comet, new, too; and Formula 409, slipping from ninth place.

Coincidentally, Cheer, Dawn and Comet received just about the same rate of mention by store managers at conventional and upscale discounters. Both groups mentioned Cheer one of 10 times, about the same response rate for Comet and Dawn. Only upscalers gave Dawn a lower response rate, 6 percent.

The top five brands at K mart, Wal-Mart, Zayre and Target shaped up a little differently.

Dow received especially high marks from K mart managers, getting mentioned three of 10 times and earning it a No. 3 spot at that chain ahead of both Clorox and Fantastic, which rated higher in the overall results.

Tide and Windex drew about equal responses from K mart managers, who gave a slight edge to Tide. Clorox, the No. 3 brand overall, was a very distant fifth at the nation's largest discounter, with fewer than one in 10 K mart managers mentioning the liquid bleach as a top brand.

(Continued on page 134)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Tide	33%	75%	47%	67%
Windex	32	20	19	17
Clorox	7	37	43	27
Fantastic	16	12	10	10
Dow	26	10	15	5

Source: Discount Store News/Leo J. Shapiro & Assoc.

Special sale days can attract even larger crowds into household cleaners and chemicals departments as customers search the stores for their favorite brand name products. (DSN photos)

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Tide	45%	43%	51%
Windex	24	23	27
Clorox	22	22	23
Fantastic	12	12	14
Dow	12	15	5
Lysol	12	12	10
Cheer	10	10	10
Dawn	9	10	6
Comet	9	9	10
Formula 409	8	11	3

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Tide	39%	46%	59%	29%
Windex	23	20	25	29
Clorox	25	31	20	8
Fantastic	14	14	9	15
Dow	10	9	10	21
Lysol	12	13	13	7
Cheer	10	8	10	16
Dawn	6	10	6	14
Comet	2	12	6	15
Formula 409	4	10	5	16

Source: Discount Store News/Leo J. Shapiro & Assoc.

Cannon, J.P. Stevens Lead Domestics Brands

Nationwide DSN Report

The fortunes of the top 10 domestics brands dropped across the board in *DSN*'s 1987 Top Brands Survey of discount store managers.

Although the upper reaches of the top 10 (with the exception of Pepperell/Lady Pepperell/West Point) remained unchanged, support for each brand dropped significantly from 1986 levels. Those lower on the chart played a spirited game of musical chairs and generally also saw their net results drop.

Perennial leader Cannon retained its No. 1 rating of a year ago, but saw its popularity dip sharply with conventional discounters. J.P Stevens and St. Mary's, the second and third top brands, couldn't close the gap on Cannon, however, as their ratings, particularly with traditional discounters, slipped significantly.

On the other hand, Pepperell increased its standing with both conventional and upscale discounters to leap past Springs and Kenney's into fourth place. Springs upped its rating with upscalers but lost that gain and more with conventional discounters. Kenney's lost out in both categories, slipping to No. 7.

Dan River, the sole new entry on the chart (at No. 9), turned in a relatively strong showing. Demonstrating just how soft brand support has become, Santa Cruz actually slipped in overall support, yet rose from ninth to sixth place.

Cannon owed much of its rating to Wal-Mart managers, nine out of 10 of whom listed it as a top brand. K mart managers were also favorably impressed, with over 60 percent listing Cannon as among their top performers. Less than half of Zayre and upscale discount store managers mentioned the company.

Zayre managers paid little attention to J.P. Stevens, the second place finisher—which K mart, Wal-Mart and Target managers rated highly—but favored St. Mary's, Kenney's, Pepperell and Springs strongly. Those four brands finished second through fifth, respectively, at Zayre.

St. Mary's, Pepperell and Springs were also in vogue with upscale discounters other than Target, although Target managers gave Springs a higher rating than its final average.

Santa Cruz owed most of its strength to a high rating from K mart managers, although its Target rating was respectable. The brand was shut out entirely by managers at Wal-Mart and Zayre.

Pepperell/Lady Pepperell/West Point and St. Mary's shared almost identical support. Both did very well with Zayre and upscalers other than Target, received moderate support from Target managers, and were virtually shut out by K mart and Wal-Mart respondents.

Pepperell doubled its response rate with upscale discounters and was up 50 percent with conventional retailers.

Pepperell can also thank strong performance on the West Coast for its surge to fourth place. Although it improved its standing in all four regions, its support in the West showed the sharpest rise on the chart, a result aided immeasurably by the fact that the West virtually ignored Pepperell last year.

In contrast to Pepperell's performance, the three top brands did not fare as well out West. All three took it on the chin from Western discounters, with St. Mary's response rate dropping from 27 percent to 2 percent.

Cannon performed at near-1986 levels everywhere but in the West, where its rating dropped noticeably. J.P. Stevens' response rate dropped in both the South (probably due to its declining Wal-Mart fortunes) and the West, although it strengthened its Northeastern appeal significantly.

Burlington, in dropping from seventh to 10th place on the chart, also had the West to thank, as well as the North Central region.

Managers were generally optimistic about growth potential for domestics in the upcoming year, with 87 percent predicting at least some growth. However, a large minority felt that growth would be limited to 10 percent or less. Only about half of the survey respondents felt that growth in domestics would exceed 10 percent.

Among the optimists (10 percent sales growth or better), Cannon and Stevens both fared very well while St. Mary's showed less than its average support. The mild optimists (10 percent or less) gave all top brands a lower than average rating, while pessimists (market down or flat) gave Pepperell, Fieldcrest and Dan River very high ratings. St. Mary's also did well in the category.

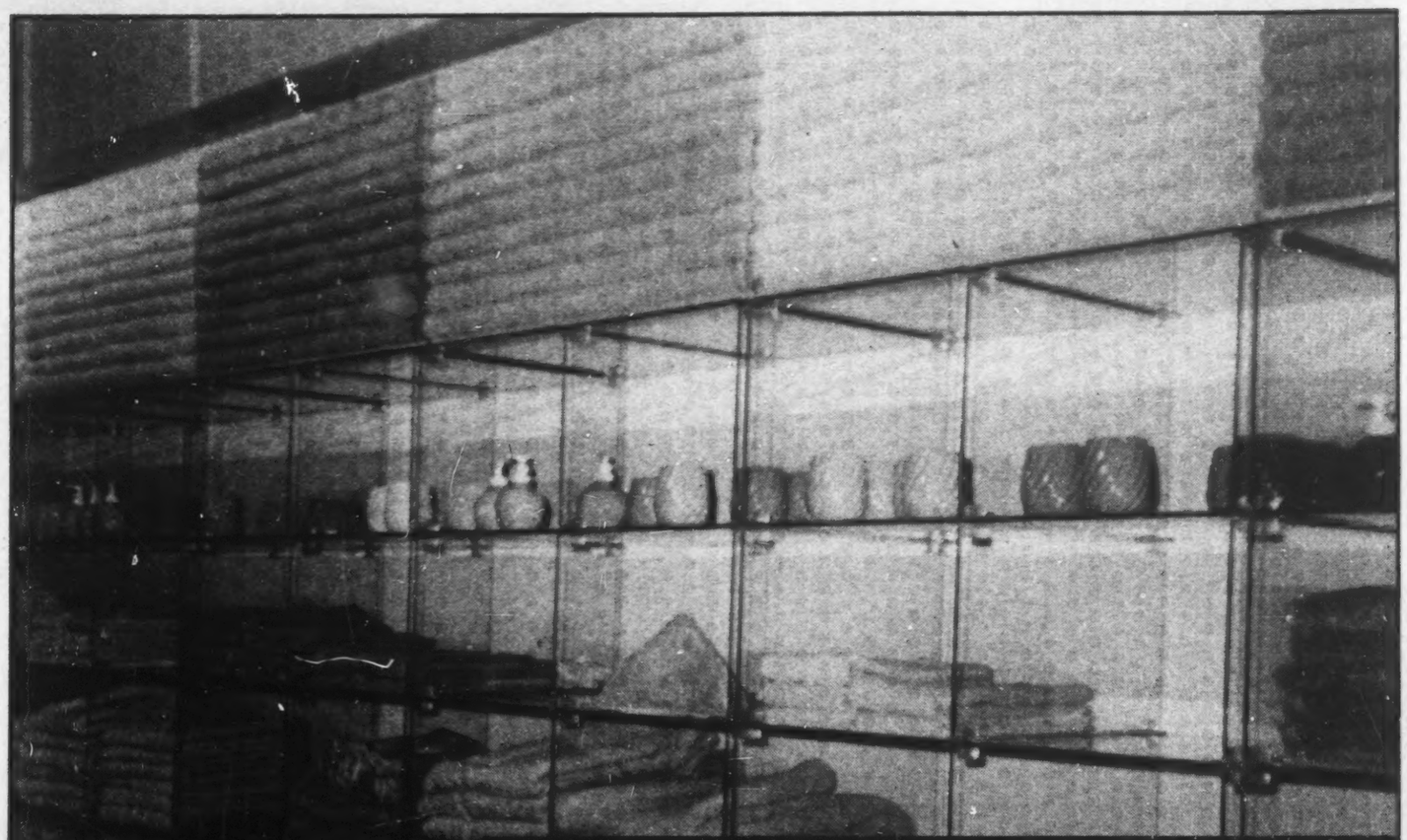
When asked why they thought given brands had performed well in their stores, managers generally cited product quality for Cannon, Stevens and Pepperell. However, those who selected Cannon tended to credit a wider menu of attributes as integral to the brand's success than did those who selected one of the other brands.

The result was a lower rating for Cannon in the "quality product" category. Pepperell supporters, for instance, mentioned the brand's quality twice as often as did Cannon supporters. The same was true of the "low price" response. However, Cannon received strong support in areas in which the competing brands were sometimes not even mentioned, indicating a strong base of satisfaction among store managers.

For instance, those who mentioned Cannon first cited "sales/specials" and "wide variety" as factors contributing to Cannon's performance. Those who selected Stevens mentioned neither, while Pepperell received mentions in the "wide variety" category only.

Stevens and Pepperell ran

(Continued on page 134)



Cannon was the hands-down winner in domestics top brands. Managers cited towel quality as a major factor in brand performance.

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Cannon	66%	88%	50%	48%
J. P. Stevens	34	38	6	32
St. Mary's	5	—	32	7
Pepperell/Lady Pepperell/West Point	6	—	17	12
Springs	7	6	10	10

Source: Discount Store News/Leo J. Shapiro & Assoc.

A Columbus, Ohio, Gold Circle merchandises Lady Pepperell (foreground) and Dan River (top shelf), each of which made gains in the 1987 Top Brands survey. (DSN photos)

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Cannon	55%	58%	45%
J. P. Stevens	24	21	30
St. Mary's	14	10	24
Pepperell/Lady Pepperell/West Point	12	9	20
Springs	6	5	9
Santa Cruz	5	5	3
Kenney's	4	5	—
Fieldcrest	3	3	4
Dan River	3	4	1
Burlington	2	2	3

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Cannon	58%	64%	49%	46%
J. P. Stevens	26	23	30	16
St. Mary's	21	13	19	2
Pepperell/Lady Pepperell/West Point	20	7	12	13
Springs	6	8	9	—
Santa Cruz	—	8	4	6
Kenney's	4	4	2	6
Fieldcrest	2	2	3	8
Dan River	—	4	3	6
Burlington	4	3	2	1

Source: Discount Store News/Leo J. Shapiro & Assoc.

Advertising, Quality, Low Prices Determine CE Top Brands

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Emerson	31%	28%	39%
General Electric	31	30	35
RCA	22	28	7
Panasonic	21	21	22
Sony	16	14	22
Sharp	15	15	14
Soundesign	14	18	4
Goldstar	12	16	3
Sanyo	10	7	18
Samsung	10	7	19

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Emerson	20%	40%	44%	9%
General Electric	38	27	40	19
RCA	12	20	18	41
Panasonic	14	21	24	24
Sony	22	14	20	9
Sharp	24	8	11	24
Soundesign	14	13	15	16
Goldstar	14	15	12	6
Sanyo	19	6	8	14
Samsung	17	12	10	3

Source: Discount Store News/Leo J. Shapiro & Assoc.

Nationwide DSN Report

Emerson barely edged out General Electric as the brand most frequently cited by discount store managers as a best performing name in consumer electronics.

The two brands, separated by just one-tenth of a percentage point in *DSN's* 1987 Top Brands Survey, each attracted support from nearly a third of all discount store managers.

Emerson was mentioned by 31.4 percent of all discounters as a best performing brand compared to 31.3 percent who named General Electric.

Both Emerson and General Electric, the top-rated CE brands, received the most support from upscale discounters, with less mentions from conventional discount store managers.

The major push for Emerson came from upscale discounters. Thirty-nine percent of upscale discounters named Emerson as a best performing brand in their CE department, up from 26 percent a year ago.

However, conventional discounters gave Emerson fewer nods, just 28 percent this year compared to 40 percent in 1986. Emerson received the most attention from Wal-Mart store managers, with Target close behind.

The bulk of General Electric's support also came from upscale discounters, with 35 percent naming GE among its best performing brands, up from 22 percent a year ago. Conventional discounters, on the other hand, did not mention General Electric as frequently as they did last year. Only 30 percent of conventional discounters mentioned General Electric, down from 46 percent a year ago. Among discount store managers, General Electric received the most support from K mart managers.

RCA and Panasonic also switched positions from last year as RCA edged up into the No. 3 post, again only by a slight margin. Twenty-two percent of all discounters mentioned RCA as a top brand while 21 percent named Panasonic as such.

While Emerson and General Electric were most often mentioned by upscale discounters as top brands, RCA received more support from conventional discounters, rising to 28 percent from 25 percent last year and received less support from upscale discounters, dropping to 7 percent from 12 percent a year ago. By far, the majority of RCA's mentions came from K mart and Wal-Mart store managers.

(Continued on page 125)

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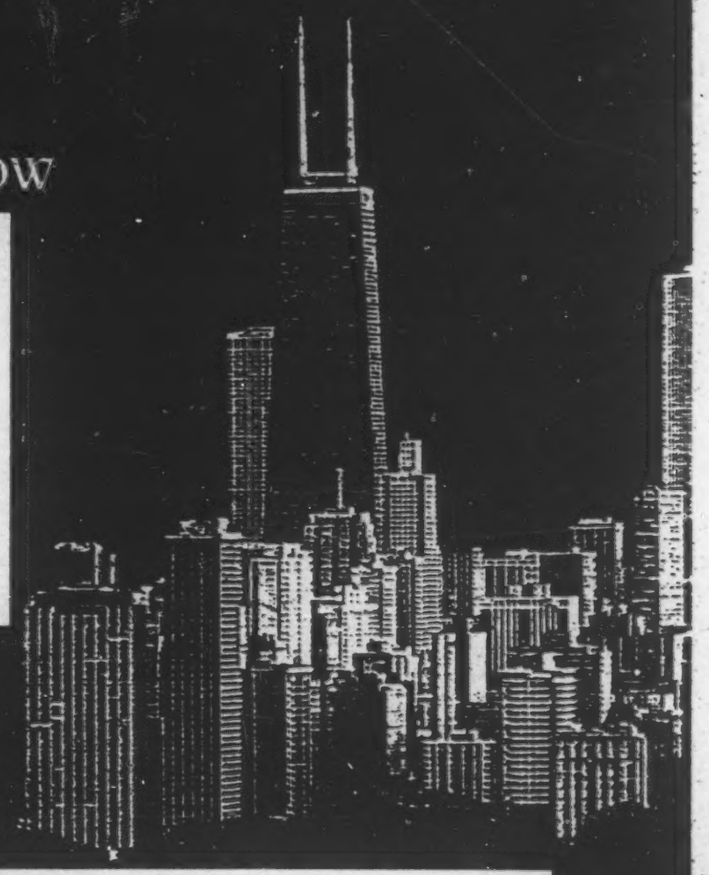

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Advertising, Quality, Prices Criteria for CE

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Emerson	9%	69%	52%	63%
General Electric	36	20	30	29
RCA	50	43	2	2
Panasonic	12	48	8	40
Sony	12	25	12	13

Source: Discount Store News/Leo J. Shapiro & Assoc.

(Continued from page 90)

Panasonic, on the other hand, lost support from both conventional and upscale discounters. Panasonic was mentioned by only 21 percent of conventional discounters this year as one of their best performing brands, down from 29 percent last year. Only 22 percent of upscale discounters mentioned Panasonic compared to 28 percent last year. Wal-Mart and Target gave the brand the most mentions as a top brand.

Panasonic remained one step ahead of Sony, which again took the fifth position. Sony's support among conventional discounters remained steady at 14 percent, while upscale discounters who named Sony dropped from 26 percent to 22 percent this year. Wal-Mart was its biggest supporter this year.

Sharp remained in the sixth position with a decrease in total mentions by all discounters from 17 percent to 15 percent over last year. The drop came from upscale discounters as only 14 percent mentioning Sharp as a top brand, compared to 24 percent who did so a year ago.

Interest by store managers at conventional discounters slightly rose with 15 percent mentioning Sony as a top brand, up from 14 percent last year.

Soundesign was mentioned by 14 percent of store managers at all discounters as among their best performing brand names. The interest at conventional and upscale discounters remained level with last year.

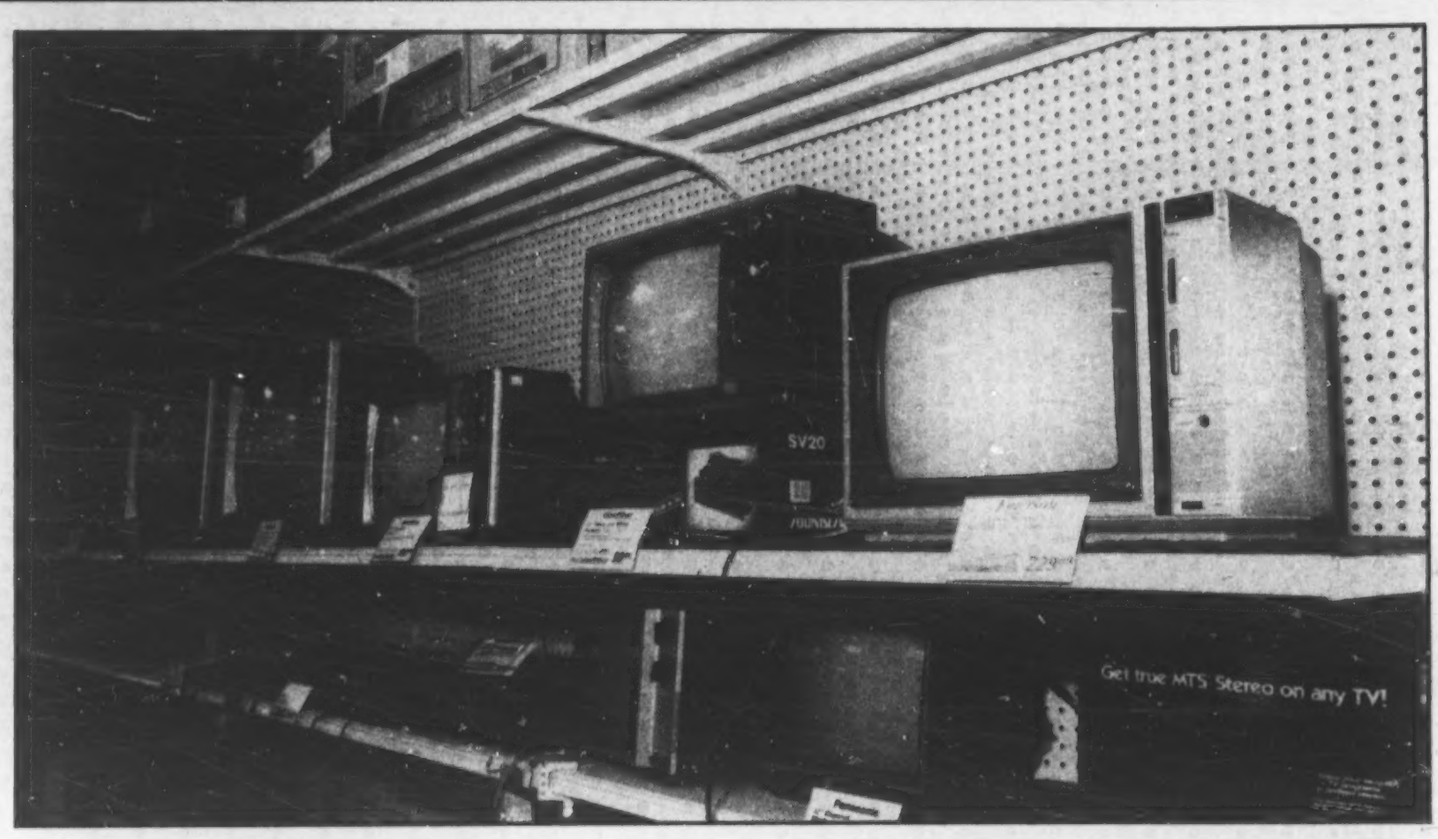
Goldstar jumped one slot into the eighth position with the same percentage (12 percent) of all discounters mentioning it as a top brand. Goldstar's performance at conventional and upscale discounters remained about the same as last year.

Sanyo slipped into the ninth position, with only 10 percent of all discounters mentioning it, down from 12 percent last year. Among conventional discounters, Sanyo's percentage of total mentions decreased from 9 percent to 7 percent, while at upscale discounters, its percentage of mentions fell from 19 percent to 18 percent.

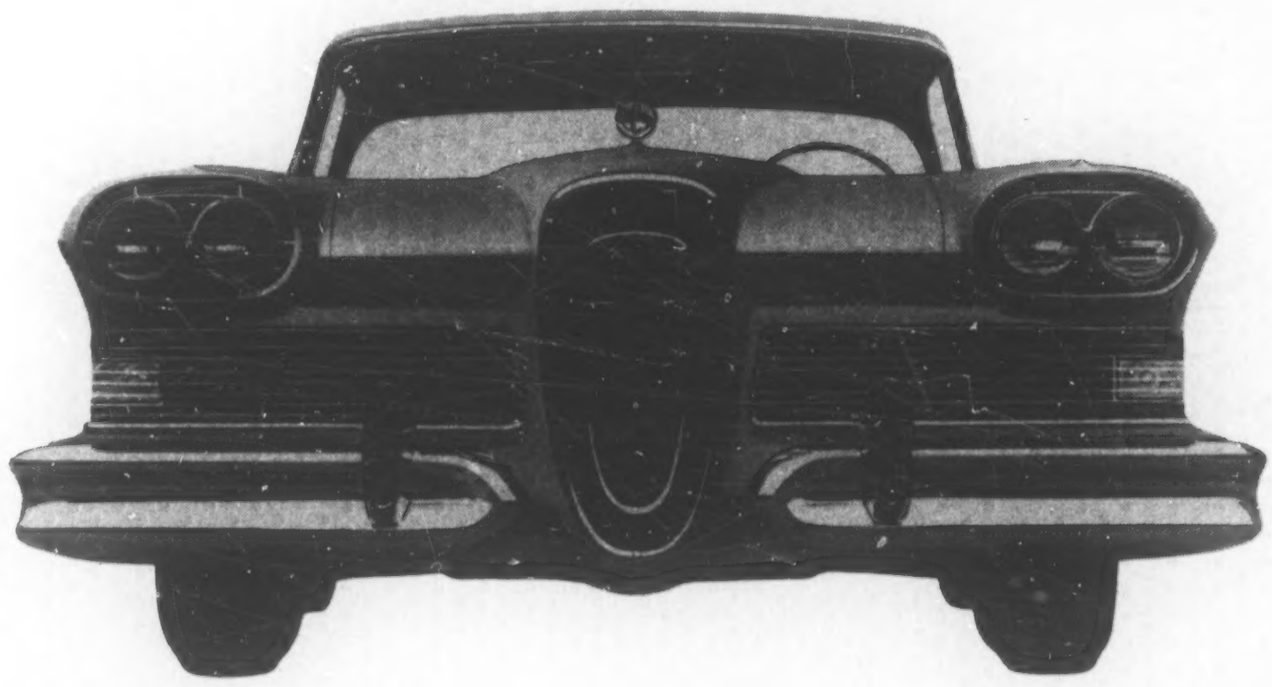
Samsung Joins Top 10

A newcomer to the top 10 CE brands was Samsung, which attracted attention from one of 10 discounters. Most of its support came from store managers at upscale discounters while only 7 percent of conventional discounters mentioned Samsung as among

(Continued on page 126)



Television sets at Jamesway: Emerson, Panasonic and Goldstar were often mentioned by store managers as among their best performing name brands. (DSN photo)



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Advertising, Quality, Low Prices Determine CE Top Brands

Sanyo-branded CE products received more favorable mentions from managers of upscale discounter stores like Bradlees.

A very price-oriented category, store managers mentioned "low price" more often than any other factor as a reason for a name brand's success in the CE department. (DSN photos)

(Continued from page 125)

their best performing brands.

Emerson performed the best this year in the North Central region, rising from 35 percent last year to 44 percent this year. Growth slowed in the other three regions. The next best performing region for Emerson was the South followed by the Northeast and the West.

The North Central was also General Electric's best performing region for the second consecutive year. Growth slightly rose in the Northeast from 37 percent to 38 percent this year.

RCA's best performing region by far was the West, increasing from 19 percent to 41 percent this year. Panasonic fared better in the North Central and the West as its best two performing regions this year.

Brand performance for Sony was the best in the Northeast this year, followed by the North Central region, the South and the West. While growth slowed the most for Sony in the West, Sharp and Soundesign performed the best there.

Good, low prices was cited most often as the reason for brand performance.

The best performing region for Goldstar was the South while the best region for Sanyo and Samsung was the Northeast.

When asked why a particular brand was among their best performing, the most often mentioned reason cited by Target, Zayre and Wal-Mart store managers was "good, low prices." While K mart store managers named "good quality product" most often as a reason, "good, low prices" closely followed.

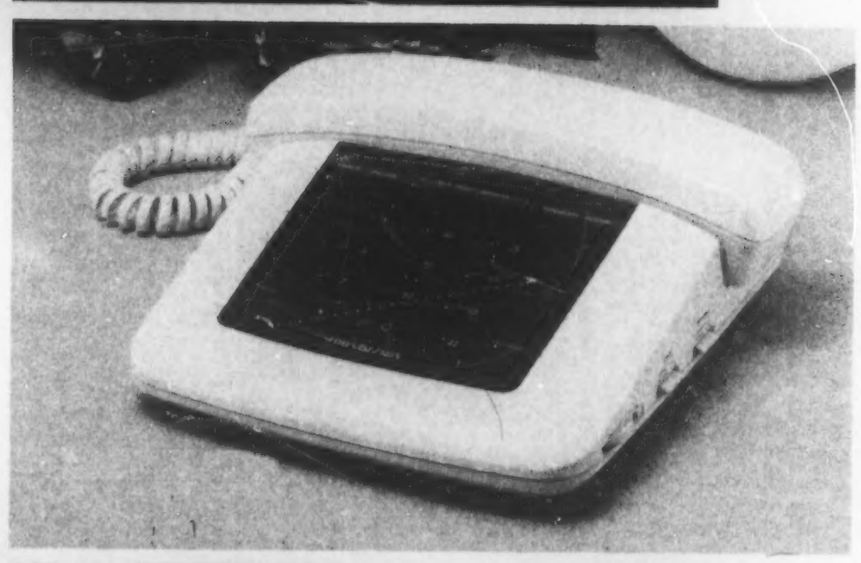
This supports the way the industry has been since its very beginning. Consumer electronics is a very price-oriented market. While CE chains are most often thought of as the most price competitive retailers in the consumer electronics business constantly guaranteeing "the lowest prices around," results indicate that full-line conventional and upscale discounters are not far behind.

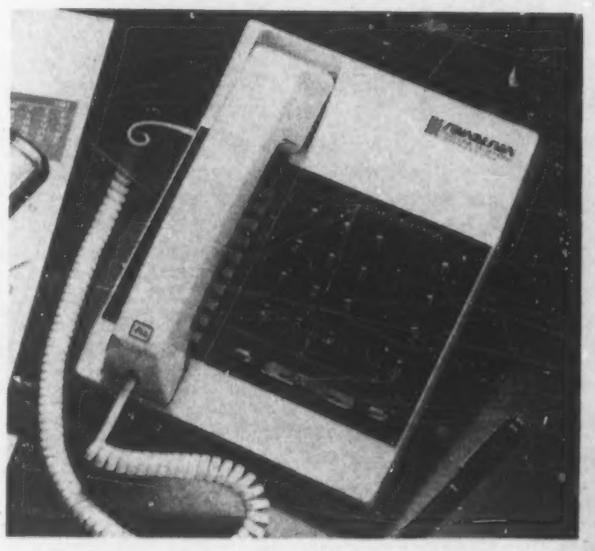
Target, Zayre and Wal-Mart store managers named good quality products as the second most important reason why they selected the brands they did as top brands.

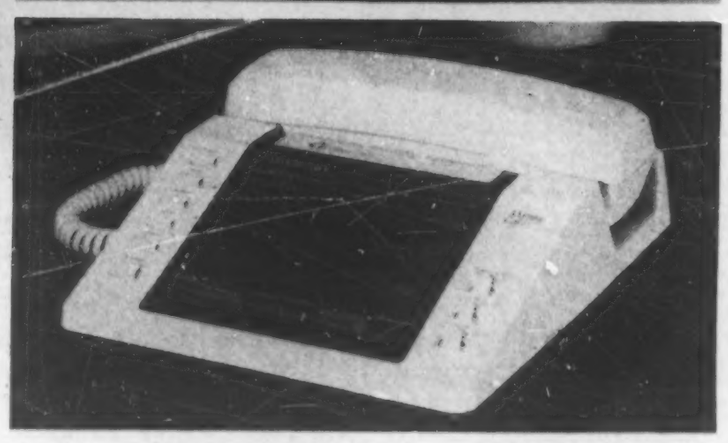
Of the store managers who cited General Electric as a top brand, most stated the reason for that selection was the company's heavy advertising. The majority of store managers who cited Emerson and Sharp as top brands all felt good, low prices was the reason behind those brands' success. Store managers cited good quality products most often as a reason for Panasonic's rating as a best performing brand.

Here's an Earful!

From Soundesign







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Kodak Still Champ in Store Brand Awareness

Nationwide DSN Report

Kodak, No. 1 in every category a year ago, was No. 1 again in *DSN*'s 1987 Top Brands Survey, although its margin was slimmer in some areas than a year ago.

Overall, however, Kodak had nearly double the mentions of Polaroid, its closest competitor, nearly three times the total number of mentions as a best performing brand than No. 3 Canon and nearly 10 times the support of Fuji in the No. 5 spot.

Top Five Brands Unchanged

Most of what changes there were in the rankings of photo and camera department brands were in the lower half of the top 10. The top five brands remained unchanged.

Keystone, the only new entry in the Top 10, knocked Eveready off the list and took over Vivitar's No. 9 spot. Vivitar slipped to No. 10.

Nikon, Pentax and 3M/Scotch shuffled their positions.

At K mart, Kodak was a big winner, with more than nine out of 10 managers interviewed mentioning the Rochester, N.Y.-based giant.

However, Polaroid racked up its highest rating at K mart, and Fuji nearly tripled its overall rating over a year ago.

The highest rating received by Kodak was from Wal-Mart with 94 percent. Polaroid also drew its strongest response with seven of 10 Wal-Mart managers mentioning the brand. Canon and Minolta, both with relatively strong showings at K mart, fell off dramatically in mentions at Wal-Mart.

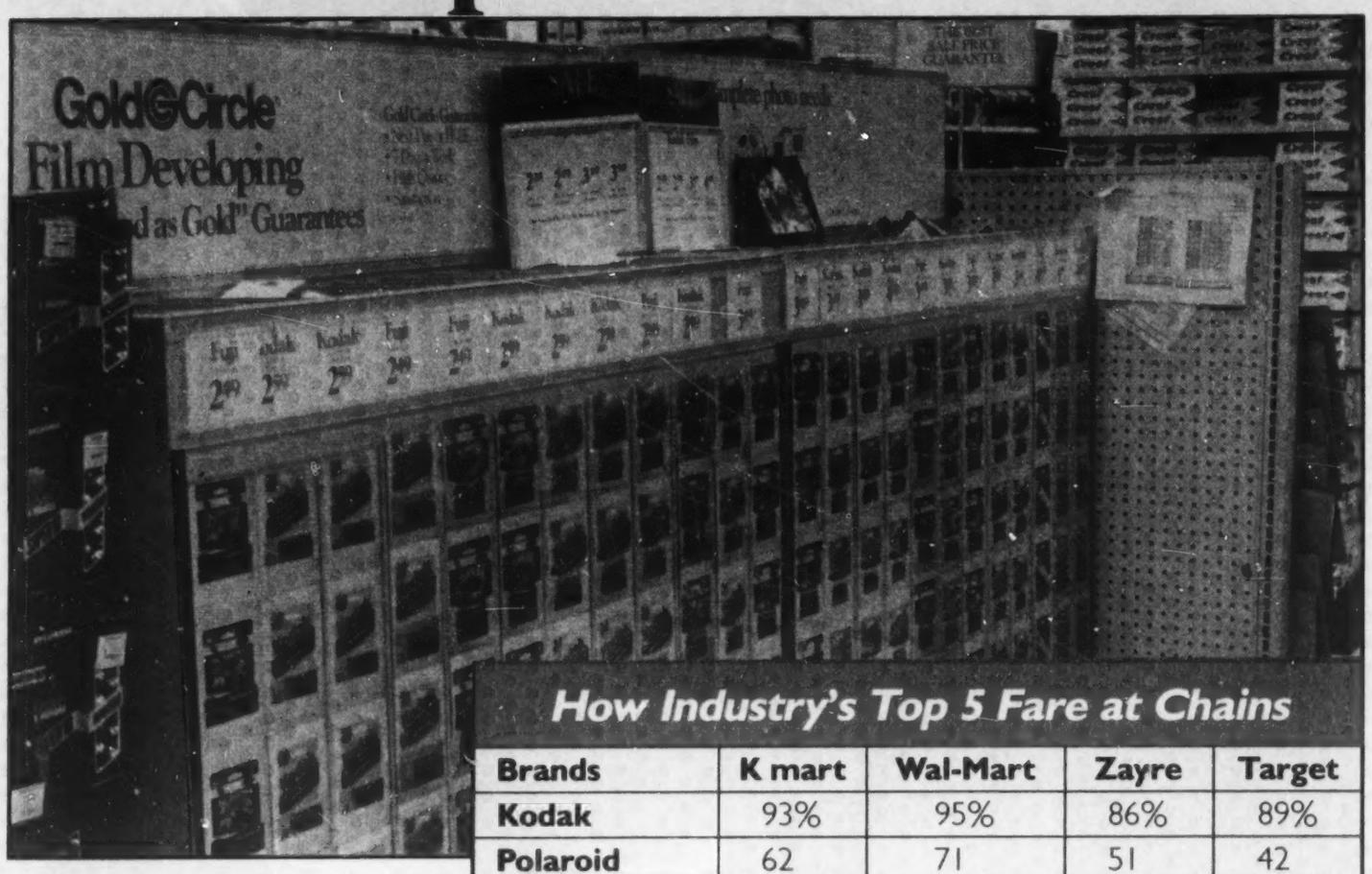
Fuji, dropped by Wal-Mart during its Buy American blitz, rated barely a mention. However, 3M/Scotch placed a strong third, partially offsetting its omission by K mart.

Kodak received the fewest mentions from Zayre, although the brand still finished a comfortable first. Polaroid also had a tough time on its home turf, rating only one-half of Zayre's mentions. Minolta and Vivitar, on the other hand, both made strong showings, rating third and fourth overall at Zayre.

The two top brands overall did not receive as many mentions from upscale discounters. Polaroid fell to the third ranking while Canon finished second. Minolta was stronger among upscale discounters than conventional discounters, as was Nikon, both aided by support from Target.

Regionally, Kodak was weakest in the Northeast but still garnered mentions from eight of 10 store managers there. Canon performed well above its national average in the Northeast, with about one-third of respondents citing the brand. Fuji received little mention from Northeastern discounters.

The West was also a bit soft on Kodak, saving its laurels for Minolta, Fuji and Pentax, all of which performed well above their national averages. Vivitar and 3M/Scotch were not mentioned by any Western discounters.



Kodak was the overwhelming winner in the store managers survey, but several managers indicated that Fuji was making inroads in the film market due to the clarity of the finished product and slightly lower prices.

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Kodak	93%	95%	86%	89%
Polaroid	62	71	51	42
Canon	36	24	9	50
Minolta	34	18	23	33
Fuji	23	5	—	5

Source: Discount Store News/Leo J. Shapiro & Assoc.

According to the responses, Polaroid is at its most popular in the South, with over half of respondents mentioning the popular instant camera product. Other top 10 members received roughly national level support in the Southern region.

Kodak ruled the North Central region, with nearly nine out of every 10 responses citing the company. Canon, Minolta, Fuji and Vivitar also did better than their national averages.

Managers seemed unable to explain Kodak's overall brand strength. When asked about a variety of potential reasons for its performance, managers consistently rated at least two of the other top brands as better in any given category. For example, while many who chose Kodak cited its national brand posture as a reason, even more managers cited Polaroid's and Minolta's brand status as important to those companies.

Furthermore, a higher percentage of respondents cited good prices as a reason for the brand strength of Minolta than Kodak.

Both Polaroid and Canon were perceived as better advertisers and all three had higher ratings from managers on the question of quality. However, Kodak beat out the others in name recognition.

One of the most surprising results of the survey is that while Kodak lost ground very slightly overall, the next three most popular brands lost even more ground to the leader. Polaroid's rating dropped by nearly one-third among conventional discounters, while Canon and Minolta declined significantly across the board. Fuji and Nikon registered marginal gains, but everyone else in the top 10 lost ground.

Overall, the top-rated brands lost considerable ground, from a cumulative 277 percentage points in 1986 to 220 cumulative points in 1987, and no one outside the top 10 made up any of the slack. That may indicate some level of brand erosion in the marketplace.

A sampling of manager comments indicates that some, at least, have strong feelings about a few brands.

About Fuji, one manager said, "The clarity of Fuji film is much better than others and the price is very competitive."

Another manager called Kodak "a darn good company" and added, "The name of the company says quality."

Polaroid was lauded for being "the only company with instant film, which people like."

Vivitar was cited for its "real nice packaging and travel kit."

In growth for the past year, managers generally felt that the number of brand names in their stores had not grown. Kodak was a strong performer in number of mentions by both those who felt there had been growth and those who didn't. Over eight of 10 in both categories listed Kodak as a top performing brand.

However, those who projected growth gave Polaroid and Fuji far better ratings. 3M/Scotch also performed well in this breakout.

This year's surge in camera and film sales is reflected in sales forecasts made by store managers, who overwhelmingly (over 90 percent) felt the category would increase its sales. Nearly half thought the increase would be by 10 percent or better.

Relative to its overall rating, Polaroid had the largest differential between those who named it a top brand (47 percent) and those who expected it to grow by more than 10 percent (54 percent). Most others performed at or slightly above their overall ratings in this category except, surprisingly, Kodak, which actually dropped one-fifth of a percentage point.

Kodak, which racked up its usual 80 percent-plus rating in positive sales forecasts, also was named a top performing brand by nearly 80 percent of those who thought sales would hold at 1986 levels at best.

Store Size Consistency

Managers of large, medium and small stores were fairly consistent in their brand name ratings. Kodak received almost even ratings across the spectrum, although the managers of larger stores were a bit less enthusiastic than those in the other sizes. Canon did very well in large and medium-size stores, but smaller stores gave it a one in five rating. Minolta also underperformed in smaller (under 60,000 square feet) outlets.

Fuji was clearly more favored by medium size (under 100,000 square feet) store managers, while managers of larger stores gave it a low rating. Nikon garnered strong support from the medium size segment, but was virtually ignored by small stores.

Although there were few surprises in this year's survey, the surge in sales this year indicates that there may be a few next year. By then, the results should be in on new products like disposable cameras and the rising sales of recent innovations like dual lens "automatic" cameras will have created an even greater impact on the market.

More important, perhaps, will be the success (or lack thereof) of the challenge to Kodak's dominance mounted by brands like Konica, Fuji and Agfa, and Kodak's response with new products to meet the competition.

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Kodak	84%	84%	83%
Polaroid	47	50	39
Canon	29	24	41
Minolta	24	22	31
Fuji	9	12	4
Nikon	8	6	14
Pentax	6	8	3
3M/Scotch	5	6	4
Keystone	4	4	3
Vivitar	3	3	1

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Kodak	81%	83%	88%	82%
Polaroid	45	54	42	44
Canon	37	23	34	26
Minolta	24	19	28	28
Fuji	—	11	12	11
Nikon	6	8	12	6
Pentax	8	4	5	12
3M/Scotch	4	6	8	—
Keystone	4	6	1	6
Vivitar	2	3	4	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Four Brand Names Hold Steady In Personal Care Appliance Category

Nationwide DSN Report

While Conair, Clairol, General Electric and Vidal Sassoon maintained the top four spots in brand performance in *DSN*'s 1987 Top Brands Survey, retailers' anti-rebate policies and new UL safety guidelines could significantly shuffle the lineup of personal care brands next year.

Recently, K mart decided to stop stocking its shelves with rebated merchandise in personal care departments. The discounter's ruling is already causing other retailers to consider less drastic anti-rebate measures.

This year's survey suggests that store managers do not believe that manufacturer rebates significantly affect whether a specific brand is a top personal care appliance department performer or not.

Vendors who have relied heavily on rebates to generate high sales volume could tumble from the annual Top Brands Survey in 1988 if they are remiss in providing alternative marketing and promotional strategies.

New Safety Features

The impact of the new UL (Underwriters Laboratories) guideline governing safety features on hand-held hair driers,which went into effect Oct. 1, could also result in a dramatically different top 10 listing next year, depending on whether price, styling or ease of use was negatively changed by the new standard.

The UL ordered all hand-held hair driers to have a safety mechanism which would make it safe to submerge the unit in water while plugged into an electric socket, when not in the "on" position.

Despite the sale of General Electric's small appliance business to Black & Decker over a year ago, the GE name continues to have top of mind awareness among the ranks of discount store managers surveyed. GE's percentage ranking did, however, fall in the four regions charted and at the K mart, Wal-Mart, Zayre and Target stores.

Black & Decker, ranked sixth in 1986, rose to the No. 5 rank this year.

It would appear that K mart's decision to eliminate appliances that offer rebates could already have trickled down to store level and impacted the way managers think of particular brands. K mart managers' mention of all of the top five brands except the Black & Decker name fell between 1986 and 1987. Vidal Sassoon remained essentially unchanged.

Black & Decker is one of the few manufacturers which has announced it will be eliminating rebates.

While Wal-Mart has not yet voiced its official view on K mart's rebate stand, the same downward trend in the number of store manager mentions of the top five brands is also true at this

(Continued on page 131)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Conair	60%	68%	80%	46%
Clairol	18	31	13	34
General Electric	31	25	16	32
Vidal Sassoon	4	24	16	52
Black & Decker	24	8	3	20

Source: Discount Store News/Leo J. Shapiro & Assoc.

Towers, Dartsmouth, Nova Scotia, offers a wide selection of U.S. and Canadian personal care appliances. Brand name recognition was said to be an important performance criteria. (DSN photo)

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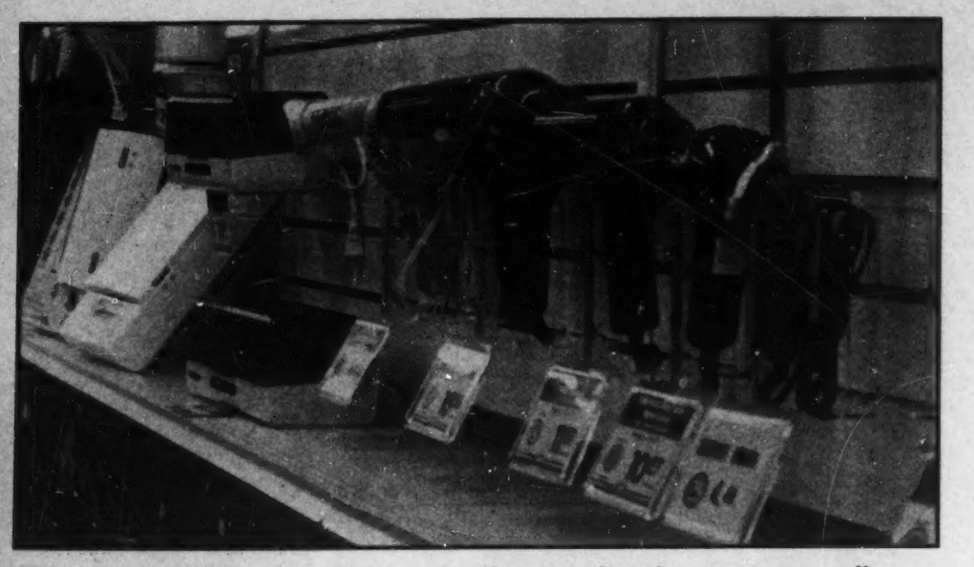

The availability of a wide selection under the same appliance brand label as shown in Hills, Miamisburg, Ohio, was thought to be a factor in brand performance by store managers. (DSN photo)

Discounters' Anti-Rebate Programs Could Shift Personal Care Leaders

(Continued from page 130)

chain, except for Black & Decker.

Although Wearever Proctor-Silex does not manufacture personal care appliances, its well-known name in kitchen appliances has evidently become associated with other types of appliances as well. The maker of popcorn makers, juicers, coffee makers and bakeware was mentioned by 4 percent of the managers surveyed as being a personal care department leader.

Mentions of Conair increased at both Zayre and Target. Zayre managers said Conair was one of their best performers more frequently than last year. Conair's response rate nearly doubled among Target managers with about half mentioning Conair as a top brand.

Upscale chains, in general, mentioned Conair, Vidal Sassoon and Black & Decker more often this year as top personal care department performers. Conventional discounters mentioned all of the top 10 brands less often this year than last year, as private label appliances and smaller vendors took a portion of mentions away from the bigger suppliers.

Pricing Seen as Important

Store managers listed some of the reasons why they labeled a particular brand as one of their best performers in personal care appliances. The reasons they cited most often were: good/low product pricing, the fact that the product carries a national brand name, and the advertising support devoted to the brand by the manufacturer. Each of these performance attributes were mentioned by roughly a quarter of all managers surveyed.

Whether or not the brand offered rebates, consumer rebates were considered unimportant by each of the four chains whose responses were broken out separately—K mart, Wal-Mart, Zayre and Target—and by the overall survey population. Rebates received fewer than 7 percent of mentions among the individual chains as well as among the survey group as a whole.

K mart store manager responses were in line with the overall average. Each reason (low pricing, national name, advertising support) received mentions from about 25 percent of the chain's managers.

Wal-Mart managers in all product categories rated advertising low as an important reason for a brand's success. However, in personal care, Wal-Mart managers placed greater importance on advertising, with nearly half of them saying that vendor ads are a primary ingredient of success. Managers at that chain also gave several mentions citing the diversity of products the brand offers. Nearly a quarter said the large assortment of products available with the specific brand help create a top performer.

Target managers appeared to place more importance on the national brand name aspect of the product, with more than half mentioning this element as an attribute of top performers in personal care. Pricing, advertising and good product quality were also cited as reasons for success.

Zayre's responses were more scattered among several reasons, with price, brand names and advertising receiving about the same number of mentions as good product quality and "only brand carried," as reasons for the success of a top performing brand name.

The reasons for a brand's success varied among the four major regions of the country. In the Northeast and South, manufacturer advertising was

(Continued on page 134)

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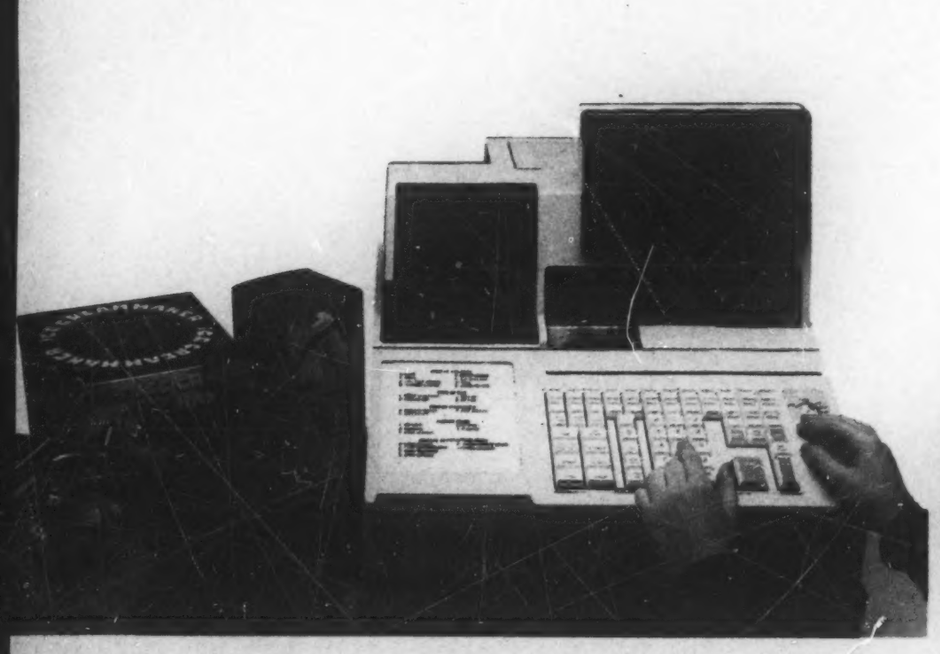

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Frito-Lay Jumps to Top Spot in Food Category

Nationwide DSN Report

Frito-Lay emerged as the most frequently mentioned top performing brand in the food, candy and snacks category in this year's *DSN* Top Brands Survey.

The snack food brand was followed closely by Hershey's, Brach's, M&M and Planters in the number of mentions by discount store managers as being among their best performing brands in this category. Mars, Snickers, Sathers, Nabisco and Coke made up the balance of the top 10 brands in that order.

Thirty-five percent of all the store managers polled named Frito-Lay as among their top performing brands. Hershey's, Brach's and M&M were all no further than six percentage points behind Frito-Lay.

The survey this year confirmed that for discounters food, candy and snacks continue to be a lucrative category with very strong brand name recognition in the field.

A number of brands have substantial penetration in the market—nine different brands were named by at least 10 percent of respondents as among their best performers.

Despite the plethora of individual product names, food, candy and snacks are dominated by a relatively small group of big players: M&M/Mars, Hershey's/Reeses and Frito-Lay.

In fact, all the M&M/Mars brands combined were mentioned by 61 percent of the managers surveyed. Hersey's brands combined were mentioned by 32 percent of the managers surveyed.

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Frito-Lay	35%	31%	42%
Hershey's	30	28	37
Brach's	29	30	27
M&M	29	30	26
Planters	27	23	38
Mars	20	16	31
Snickers	17	19	13
Sathers	13	19	—
Nabisco	10	11	9
Coke	8	6	13

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Frito-Lay	35%	31%	39%	33%
Hershey's	41	31	32	16
Brach's	30	29	35	20
M&M	37	29	32	15
Planters	43	20	29	19
Mars	21	19	25	13
Snickers	10	22	17	17
Sathers	2	12	8	34
Nabisco	12	11	9	10
Coke	2	9	15	1

Source: Discount Store News/Leo J. Shapiro & Assoc.

How Top 5 Brands Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Frito-Lay	38%	52%	46%	49%
Hershey's	25	23	34	27
Brach's	37	45	18	8
M&M	34	40	38	21
Planters	25	21	34	32

Source: Discount Store News/Leo J. Shapiro & Assoc.

Coke and Pepsi have a strong presence at discount stores, but received fewer mentions from managers than the food and candy brands. Coke was ranked 10th this year, down from eighth in 1986, and Pepsi, which ranked 10th last year, received the 11th highest percentage of mentions this year.

In fact, of the 36 brands mentioned by store managers as among their best performing brands in this department, almost half were candy. Six were beverages. The balance consisted of potato and corn chips, nuts and cookies and cake brands.

The only "food" brand to make the top 10 list this year was Nabisco, which came in ninth with one in 10 store managers naming Nabisco as among their best performing brands. Last year, Nabisco was ranked seventh.

Nearly two-thirds of all store managers surveyed named a brand from M&M/Mars, makers of M&M's, Mars, Snickers, Milky Way and Three Musketeers, as a best performer in the food, candy and snacks category.

Slightly more than one-third of the respondents said Frito-Lay, makers of Fritos corn chips and Lays potato chips, is among their best performing brand names.

And Hershey's/Reeses, makers of Hershey's chocolate bars and Reeses Pieces and peanut butter cups, was mentioned by almost one-third of the managers polled.

These three companies perform well at both conventional discount stores and at upscale stores. But all three brands, especially M&M/Mars, received more mentions from upscalers than from conventional store managers.

According to survey results, nearly seven of 10 upscale store managers said M&M/Mars was among the best performers in their stores compared to slightly less than six of 10 at conventional discounters. Three-fourths of the Target managers surveyed cited M&M/Mars as a best performer in the department.

More than four out of 10 upscaler store managers named Frito-Lay among their best performing candy, food and snack brands, compared to three of 10 conventional discounters.

Hershey's/Reeses was said to be among the best performers by four out of 10 upscale store managers, but was mentioned by only a little more than one-quarter of conventional discount managers.

When asked to name their best performing brands in the food, candy and snacks department, managers at both conventional and upscale stores mentioned Frito-Lay most often. Among individual chains, K mart, Wal-Mart, Zayre and Target managers most often cited Frito-Lay as among their best performers.

Frito-Lay held a very slim margin over Brach's and M&M for the No. 1 rank among conventional discount store managers. Among upscale store managers, Frito-Lay was stronger than Hershey's and Planters, being mentioned more often by 42 percent of the store managers polled compared to 37 percent for both of the other brands. Mar's was ranked fourth, followed by Brach's, M&M, Coke, Snickers and Nabisco, in that order.

At Target, Frito-Lay was mentioned by half the chain's store managers as among their best performers in the category. Planter's was mentioned by about one-third of the Target managers. Hershey's was the next most often mentioned brand by Target managers, with more than one-quarter naming it as among their best performing brands.

Frito-Lay held a slightly stronger position at K mart than Brach's. Slightly less than four out of 10 K mart managers mentioned one of those brands as among their best performing in the category. More than one-third of the K mart respondents named M&M among their best performing brands, while one-fourth of the managers cited either Hershey's or Planters.

The greatest percentage of managers from one chain to name Frito-Lay as among their best performing brands was at Wal-Mart, where it was cited by more than half of the managers polled. Brach's was mentioned by almost half the Wal-Mart managers as among their best performing brands, and four of 10 Wal-Mart managers said M&M is a top performing brand. Hershey's and Planters attracted mentions from slightly more than two in 10 of the Wal-Mart managers responding to the survey.

Nearly half the Zayre managers surveyed mentioned Frito-Lay as one of their best performing brands, while nearly four out of 10 Zayre managers mentioned M&M as a top brand in the food, candy and snacks category. Both Planters and Hershey's received responses from one-third of the Zayre managers.

Generally, retailers report the biggest reason particular brands sell best is because the brand is nationally recognized and manufacturers support the product with a lot of advertising. Price considerations was the third most often mentioned factor that caused a brand to be considered one of the department's best performers.

Personal Preference

Verbatim comments by managers surveyed followed one theme primarily: taste. And much of the evaluation was based on personal preferences. A number of the candy bars were said to "taste good" but one store manager said one of the brands he sells is "the best candy bar you can eat. It's my favorite."

Interestingly, the most often mentioned brand overall, Frito-Lay, did not dominate any individual region of the country. In fact, only in the North Central region did the potato and corn chip company receive more mentions than any other brand.

Planters received the most mentions in the Northeast with more than four in 10 managers naming the famous peanut company as among their top performing brands.

Frito-Lay and Hershey's each attracted mentions from less than one-third of the store managers in the South.

In the Southern region, only two percentage points separated those two brands from M&M and Brach's, which also tied in the number of responses they received from Southern store managers.

Slightly less than three out of 10 managers in the South named those two candy labels as among their best performing brands in the category.

Western-based retailers gave Sathers the top honors in the food, candy and snack category in their region, with Frito-Lay second.

Food items merchandised along the aisles generally are grouped in sections according to whether they are a staple item or a snack food, such as nuts and gift boxes of candy. (DSN photo)

Tide Scores Clean Sweep with Discount Store Managers

(Continued from page 84)

Clorox's best placing was at Zayre, where it received a very strong second place spot behind Tide, rivaling the top brand for the No. 1 spot.

At Zayre, Tide was mentioned as a top brand performer in the household cleaners and chemicals department by nearly half the manager respondents, compared to more than four in 10 for Clorox.

Windex dropped to a distant third at Zayre—and at Wal-Mart and Target, too—with Dow coming in fourth with a 15 percent rate of mention followed by Fantastic with a one in 10 response rate.

Wal-Mart managers gave Tide its most impressive showing with nearly eight of 10 naming the laundry detergent as the top brand in the category, sweeping past Windex, which held the top spot a year ago, and Clorox, which was in second place.

Wal-Mart managers still report that Windex and Clorox are top sellers in the household cleaners and chemicals department, but substantially fewer cited that brand in 1987 than in 1986.

Windex fell from the No. 1 spot at Wal-Mart to No. 3 with only two managers in 10 mentioning it as a top performer, down from nearly five of 10 last year.

Fantastic and Dow, fourth and fifth respectively, each received about one in 10 responses—strong showings for their debut as top performing brands among discounters.

At Target, Tide's commanding first place position got even stronger, from six in 10 mentioning the laundry detergent as a best seller last year to more than two-thirds saying so this year. Clorox's No. 2 spot was also strengthened, from less than one-quarter of the Target managers listing it as a best seller in 1986 to nearly three of 10 this year.

No. 3 Windex went from a response rate of slightly more than a one in 10 to nearly two in 10. Fantastic was named by one of every 10 Target managers as a top brand, giving it a fourth place position at the upscale discounter, which is double the response rate of No. 5 ranked Dow.

Regionally, Tide was the top performer in the Northeast and South, followed by Clorox. Clorox was named as a top brand by one-quarter of Northeastern store managers surveyed and by nearly one-third of those in the South.

Windex held its No. 2 ranking in the North Central region with Clorox following close behind.

The poorest showing for Clorox was in the West, where it was mentioned less often than Dow, Formula 409, Cheer, Comet, Fantastic and Dawn.

After the top three products, positioning in the Northeast is as follows: Fantastic, Lysol, Cheer, Dow, Dawn, Formula 409 and Comet.

In the South, the fourth through 10th spots were held by Fantastic, Lysol, Comet, Dawn, Formula 409, Dow and Cheer.

In the North Central states, the top three of Tide, Windex and Clorox were followed by Lysol, Dow, Cheer, Fantastic, Dawn, Comet and Formula 409.

Some of the shifting preferences among retailers, regions and outlet type could be linked to the large number of household cleaners and chemicals on the market today.

When store managers were asked what their top performing brands were, they named a total of 45 different products. Additionally, they identified some manufacturers as brand names and their answers also included private label products and "other" mentions.

According to the managers polled, specific household cleaners and chemicals are successful because they are heavily advertised and carry substantial national brand name recognition. Price is a third consideration and company reputation and rebates are considered almost negligible for sales and popularity.

In some cases, traditional household cleaners like laundry detergent, bleach and fabric softener provide the link between departments such as domestics and paper products. (DSN photo)

Cannon and J.P. Stevens Lead Domestics Brands

(Continued from page 89)

head-to-head with Cannon in the "national brand" category, a major surprise, given Cannon's high profile with consumers. Stevens and Cannon were apparently equally popular with retailers who only carry one brand.

In verbatim comments, however, Cannon clearly had a significant edge over the competition. "They're up-to-date on styles, colors and patterns and they have low prices," one manager said of Cannon. "It is a good quality towel with a good color scheme," another said. A third added that its material was a key: "Polyester and cotton create a strong fiber."

Those who preferred J.P. Stevens noted its national brand status and reputation for quality. "They make quality merchandise at a reasonable price—and the products are made in America," one manager noted.

Another manager favored St. Mary's, saying that it was "produced in the area, which cuts down on freight charges." A Pepperell afficionado noted that Lady Pepperell "does well in towels; it is a good quality towel at a good price."

Manager responses by store size were, as a rule, very comparable to responses as a whole. Cannon slipped a bit with managers of large (over 100,000 square feet) stores, but made up the difference with slightly above average performances with medium size (under 100,000 square feet) and small (under 60,000 square feet) stores.

St. Mary's and Springs each turned in strong showings with medium size outlets, but apart from those mentioned, results were generally within a few percentage points of each brand's overall performance.

Top Four Brands Hold Steady in Personal Care Appliances

(Continued from page 131)

of most importance. In the North Central region, national brand name was seen as most significant. In the West, price was by far the single most frequently mentioned attribute of strong department performance, with mentions by four out of 10 Western region discount store managers.

The top 10 personal care brands received lower percentages of mentions among Western and Southern store managers, but fared better in the Northeast and North Central regions overall.

Among the verbal responses the study provided on the top brands were a long list of praises for both the Conair and Vidal Sassoon brands.

"The packaging is good and it is well promoted on TV and in the store," one manager said about Conair. Another said, "The quality is good and the price is right. People seldom return the items because of repair needs."

Vidal Sassoon received similar comments regarding its product quality, advertising and pricing.

Certain other personal care brands were mentioned by a considerable percentage of store managers at a particular chain, but not by enough of the total population surveyed to be included in the top 10 ranking for the category. Brands that fell into this category included Sunbeam and Remington, which were mentioned by roughly 15 percent of store managers at Wal-Mart.

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Conair	56%	57%	53%
Clairol	25	20	38
General Electric	25	26	23
Vidal Sassoon	21	13	41
Black & Decker	15	15	14
Norelco	7	7	7
Jerri Redding	7	9	—
Windmere	6	8	2
Proctor-Silex	4	5	3
Sunbeam	3	3	3

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Conair	68%	57%	55%	43%
Clairol	20	27	31	18
General Electric	18	22	28	30
Vidal Sassoon	20	18	30	14
Black & Decker	18	13	10	20
Norelco	4	6	12	3
Jerri Redding	—	4	7	16
Windmere	—	9	7	6
Proctor-Silex	2	10	2	1
Sunbeam	4	4	4	1

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands

Hard Lines

Motor Oils Dominate Top Automotives Brands

Nationwide DSN Report

Motor oils increased their dominance of the top 10 brands in the automotive departments of discount stores, accounting for six of the top spots in this year's Top Brands Survey, compared to five in last year's report.

Including products associated with oils, such as Fram oil filters and STP oil treatment, oil and oil-related brands accounted for eight of 10 top brands that store managers cited in the 1987 *DSN* survey.

The ranking of the top five: Quaker State, again the leader, Pennzoil, Fram, Havoline and Valvoline.

Rankings of first, second and third remain unchanged from last year's survey. But Havoline moved up a notch to fourth from fifth and Valvoline rose two places to fifth from seventh. Their gains came as the expense of Prestone, which slipped to sixth from fourth.

Largely because of a mild winter, antifreeze sales for the entire industry slumped 18 percent last year.

Rounding out the top 10 were: STP, No. 7; Castrol, No. 8; Turtle Wax, No. 9; and AC-Delco, No. 10.

The growing importance of oil and oil-related products among the top 10 brands appear to reflect the increasing complexity of cars that often limits the do-it-yourself options for many motorists to changing their oil and polishing their cars. Other indicators of that trend: Turtle Wax rose to No. 9 in the top 10 this year from No. 11 last year, while Champion slipped to No. 13 from eighth place.

Turtle Wax crept into ninth place from No. 11 in 1986, reflecting increased activity in waxes and chemicals as the do-it-yourself movement peaks. (DSN photo)

Because of electronic ignition, spark plugs are lasting longer, prompting Champion to diversify into filters and belts and to lend its logo for a joint battery marketing effort with GNB. Results of such diversification, however, would have come too late to be reflected in the 1987 brands survey, conducted in June.

Performance for No. 1 Quaker State was fairly uniform by region: about five out of 10 managers in the South, North Central and West regions named Quaker State as among their stores' best performing brands. In the Northeast, Quaker State's standing improved to more than six out of 10.

Similarly, the standing of Quaker State in the minds of store managers was fairly uniform between upscale discounters, 50 percent of whom mentioned the brand, and conventional discounters, 56 percent of whom mentioned Quaker State, for an average among all discounters of 54 percent.

But among individual chains, Quaker State fared best at Zayre, 72 percent, followed by: K mart, 65 percent; Wal-Mart, 56 percent; and Target, 41 percent.

On the other hand, Pennzoil got mentioned as a top performing brand by just 5 percent of Zayre managers, compared to: 59 percent of Wal-Mart's, 58 percent of Target's, and 39 percent of K mart's.

By region, Pennzoil made its strongest showing in the West, mentioned by 59 percent of respondents, followed by: 40 percent in the North Central region, 27 percent in the South and 8 percent in the Northeast region.

Valvoline also showed wide variation by region and chain. Regionally, its standing ranged from 30 percent of total mentions in the North Central to 8 percent in the Northeast. Among the four representative chains, Valvoline ranked best at Target, with 41 percent of that chain's managers, and worst at Wal-Mart, garnering just 9 percent of the Bentonville, Ark.-based discounter's managers.

The most widely varying changes in the standing of a top brand among regions and individual chains between the 1986 and 1987 surveys occurred with Prestone.

In the Northeast region, for instance, Prestone was mentioned as a top performing brand by 10 percent of store managers queried, a decline from 37 percent in 1986. And at Wal-Mart, which honored Prestone as its vendor of the quarter for its second quarter, the antifreeze's ranking as a top brand fell to 15 percent of managers from 48 percent of managers in the survey for 1986.

A Prestone marketing executive said he cannot understand the slippage among Wal-Mart managers, given that shipments of Prestone to the chain in the eight months of 1987 were triple the level of the same span in the previous year.

As for brand performance among fast-growing retailers, about six out of 10 managers who expect their stores to register a sales gain of 10 percent or more in the coming year mentioned Quaker State as a top performing brand; about four of 10 cited

(Continued on page 140)

Top Brands Vary by Type of Outlet

All Discounters	Conventional Discounters	Upscale Discounters
54%	56%	50%
34	36	31
26	24	32
21	23	13
17	14	23
12	11	12
11	13	5
11	9	14
8	8	9
6	3	15

Source: Discount Store News/Lebhar-Friedman Inside

Top Brands' Performance by Region

Northeast	South	North Central	West
65%	50%	53%	53%
8	27	40	59
31	25	25	25
14	30	19	16
8	14	30	9
10	14	13	7
10	12	11	12
21	14	4	6
16	6	4	12
12	2	10	1

Source: Discount Store News/Leo J. Shapiro & Assoc.

MARKETWATCH

GREENSBORO, N.C. — Next year, the nation's largest discount retailer, **K mart**, will have its name on one of the oldest professional golf tournaments in the country. K mart became the first titled sponsor in the history of the Greater Greensboro Open. And for its efforts, the discounting giant will have the event, the third oldest golf tournament on the Professional Golfer's Association tour, known as the K mart Greater Greensboro Open. K mart will sponsor the event, which will have a purse totaling $1 million—$180,000 for the winner—for three years, beginning in spring of 1988. The first of the K mart Greater Greensboro Open's will be played March 31 through April 5.

* * *

CHICAGO — **The National Association of Service Merchandising** (NASM) reported that its 67 distributor members generated more than $5 billion in sales last year in health & beauty aids and general merchandise, according to the results of its recently concluded ninth annual census. These sales were based on reportings from 105,700 outlets, including discount and variety stores. NASM, which represents wholesale distributors of non-food items, found that of the more than 40 categories of merchandise surveyed the largest increases were in cosmetics, ethnic toiletries, lightbulbs and batteries.

* * *

NORTH DIGHTON, Mass. — Intense competition in its New England and upstate New York markets helped precipitate quarterly sales and earnings declines at **Mars Stores**, operators of 20 Mars discount department stores and two Gaynes department stores. For the quarter ended Aug. 1, Mars reported a net loss of $535,000 or 24 cents a share compared to a gain of $117,900 or 5 cents a share for the same period a year ago. Sales for the quarter fell from $25.6 million to $24.7 million. For the half, sales fell from $47.1 million to $45.1 million.

* * *

PHILADELPHIA — **The Pep Boys**—Manny, Moe and Jack—reported that for the quarter ended August 1 it recorded both sales and income gains. In fact, income outpaced sales by more than two to one. For the quarter, net income rose 29 percent to a record $11.9 million, equal to 21 cents a share, from $9.2 million and 17 cents a share in the year-earlier period. Sales increased 12.9 percent to a record $141.5 million from $125.3 million.

Oil, Oil-Related Products Dominate Listings for Top Automotives Brands

(Continued from page 139)
Pennzoil; less than three out of 10 named Fram; and about two out of 10 mentioned Havoline and Valvoline.

The reasons managers gave when asked why the brands they name came out on top clustered around two responses: heavy advertising and low prices.

In the advertising category, about a third of those surveyed gave credit to heavy advertising for the success of a top brand. Among the discounting giants, though, the percentage varied enormously: 39 percent at K mart, compared to 12 percent at Wal-mart, which relies less on heavy advertising and more on everyday low pricing.

And in the West, 66 percent of managers credited heavy advertising for the success of top brands, compared to 12 percent in the South.

Of those managers who credited heavy advertising as the most important reason for the success of top brands, more than four out of 10 are carrying more national brands than they did last year. Of those who cited low prices, more than three out of 10 are carrying more national brands.

As the most important reason for the success of top brands, Wal-Mart managers cited having a national, name brand 28 percent of the time and having low prices 20 percent of the time, compared to 12 percent who cited heavy advertising.

At K mart, the figures were 44 percent for having a low price and 20 percent for having a nationally known brand name, compared to 39 percent for heavy advertising

Other success factors, such as having a quality product that consumers deem safe, and being an old-line company that stands behind its warranty, got so little credit from managers that the results are statistically meaningless.

Amplifying on their category responses, managers made these comments about why they thought Quaker State is a top brand: "Their prices and sales, and it is a nationally advertised name brand."

"It is a name brand and is a good quality sale item."

Managers said this about Pennzoil: "It is highly rated in a consumer magazine, and the public is aware of it. They have monthly sales."

"Most in demand, prices, and it is a name brand."

As for the success of Fram as a top brand, managers said the reasons why are: "Nice packaging and colors that are striking."

"The customer keeps buying this product more than the others in the store."

Of Havoline, one manager commented: "It is the No. 1 selling motor oil, and we do a lot of in-store promotion."

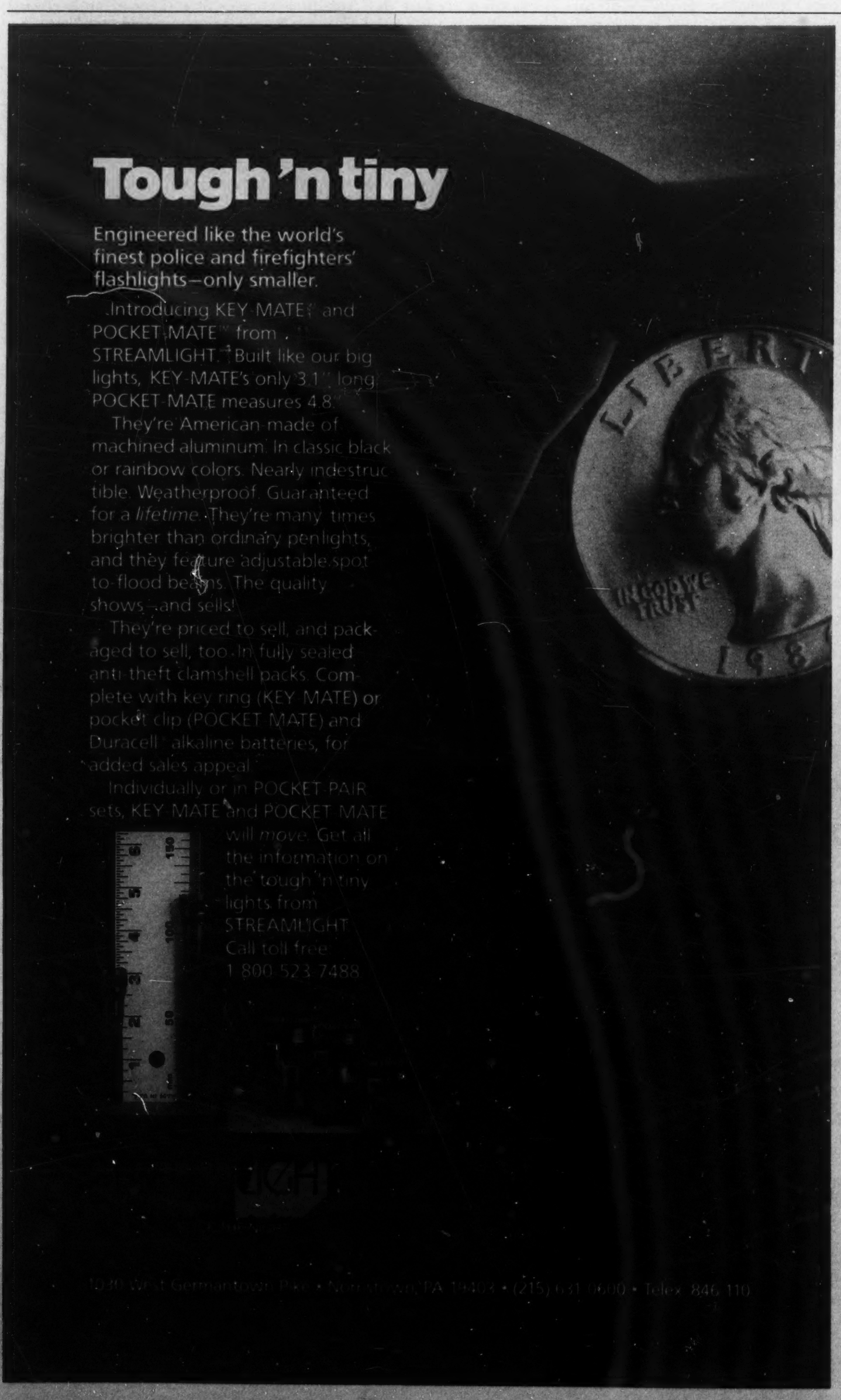
Another manager said this about why Valvoline was a top brand: "It is a name brand and the sales and advertising."

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Quaker State	65%	56%	72%	41%
Pennzoil	39	59	5	58
Fram	17	30	45	40
Havoline	22	45	24	18
Valvoline	10	9	29	41

Source: Discount Store News/Leo J. Shapiro & Assoc.

Fram products at Ames: Closely associated with oil, Fram retained its rank as No. 3 among top brands. Including such oil-related brands, oils captured eight out of the 10 top spots. (DSN photo)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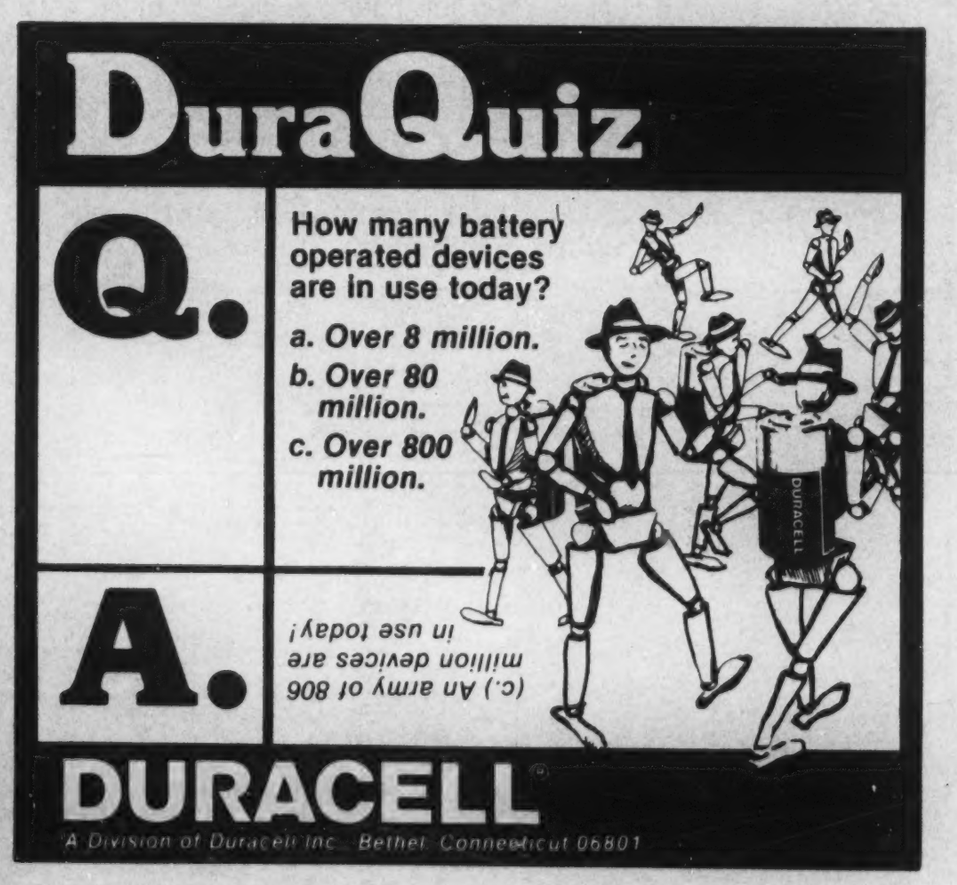
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Q.
How many battery operated devices are in use today?
a. Over 8 million.
b. Over 80 million.
c. Over 800 million.
A.
(c.) An army of 806 million devices are in use today!
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Toothpaste Brands Still Strongest in H&BA

Nationwide DSN Report

The need to carry a wide variety of brands and sizes at sharp prices in health & beauty aids was reflected in the responses generated by discount store managers across the country.

Nearly 60 different brand names were mentioned as being top performers by managers polled during *DSN*'s 1987 Top Brands Survey, the largest number of top brand candidates mentioned within any single discounter department. In fact, nearly twice as many brand names were mentioned in the health & beauty aids department than in several of the other departments included in the annual *DSN* survey.

Across the board, many H&BA top brands registered lower percentages of mentions this year than in 1986. Rather than a reflection of poor performance among the individual H&BA brands, the lower figures are perhaps more attributable to the enormous pool of national labels that competed with the top 10 brands for recognition at discount chains.

The top two brands—Crest and Colgate—not only held their top spots from last year, but also generated more mentions than during 1986. The relatively recent launch of tartar control formulas no doubt improved overall performance of the toothpaste labels.

Crest rose six percentage points among all discounters, with about an equal gain among conventional discount chains like K mart, Wal-Mart and Zayre and upscale chains like Target.

Colgate gained three percentage points overall, dropping a single percentage point among conventional chains but gaining 12 points among upscale discounters.

Johnson & Johnson held the third slot, maintaining last year's percentage figures. Listerine, ranked eighth among top performers in 1986, jumped to the No. 4 position, due to gains in mentions at both the conventional discount chains and upscale discount outlets. Competitor Scope mouthwash, which did not make the top 10 list last year, took Listerine's former spot as No. 8.

Among four of the top discount chains—K mart, Wal-Mart, Zayre and Target—Crest gained the largest increase in mentions from Zayre. Store managers at that chain cited Crest as among its top health & beauty aids performers more frequently than last year.

Colgate's largest vote gain came from Target. Last year, one-third of store managers mentioned Colgate as among its best H&BA performers. This year, Colgate received mentions from one-half the Target managers surveyed.

J&J slipped at both K mart and Target but was mentioned more often by Wal-Mart and Zayre managers.

The ingredients for success in the health & beauty aids department fell into three primary areas, according to store managers. Overall, one-third of those surveyed said that the fact that a manufacturer invests a substantial amount of capital in advertising support is one factor that pushes a brand to the top.

The fact that the brand name is known nationally was also mentioned by one-third of those surveyed as being an important brand element. Pricing was considered to be somewhat less of a factor, despite the highly promotional nature of the H&BA department.

One-quarter of the managers cited price as an attribute of their top performers. Product quality, store promotions, product positioning within the store, the way it is displayed or merchandised and manufacturer rebates were mentioned by anywhere from 1 percent to no more than 10 percent of those surveyed.

At K mart, pricing was considered more important than the national brand name, but vendor advertising support was in accordance with the average respondent who said ads were of most importance.

Wal-Mart managers said pricing was equally important to vendor ad support but that national brand recognition was the most significant attribute the leading department performer required.

Half of the managers mentioned national brand name, compared to just over one-third who cited both manufacturer ads and pricing.

Zayre asserted brand name as the most important reason for a brand's success. Half of the Zayre respondents cited this reason.

One-third of the Zayre managers said vendor advertising was a primary attribute of the brand leader, and one-fourth said low pricing was essential.

As one might expect of an upscaler like Target, low price received fewer mentions from its managers than the managers at the conventional chains. Only 15 percent of Target store managers offered low price as a reason why a brand was a leader in H&BA. The importance of the national brand name was mentioned by one-quarter of the Target managers surveyed.

One out of 10 managers at Wal-Mart and Target mentioned product quality as a reason for high brand performance. Relatively fewer store managers at both K mart and Zayre believed product quality was of as much importance in brand performance.

While each of the four discount chains had their reasons why they thought top performers earned that status, the leading brands—Crest, Colgate and Johnson & Johnson—were governed by somewhat different criteria.

In-store promotions for Crest were believed to be integral to the success of that brand, as was its location in the store and the way the product is presented and displayed. Each of these reasons were considered to be of little or no importance among top H&BA brands in general.

No Substitutes

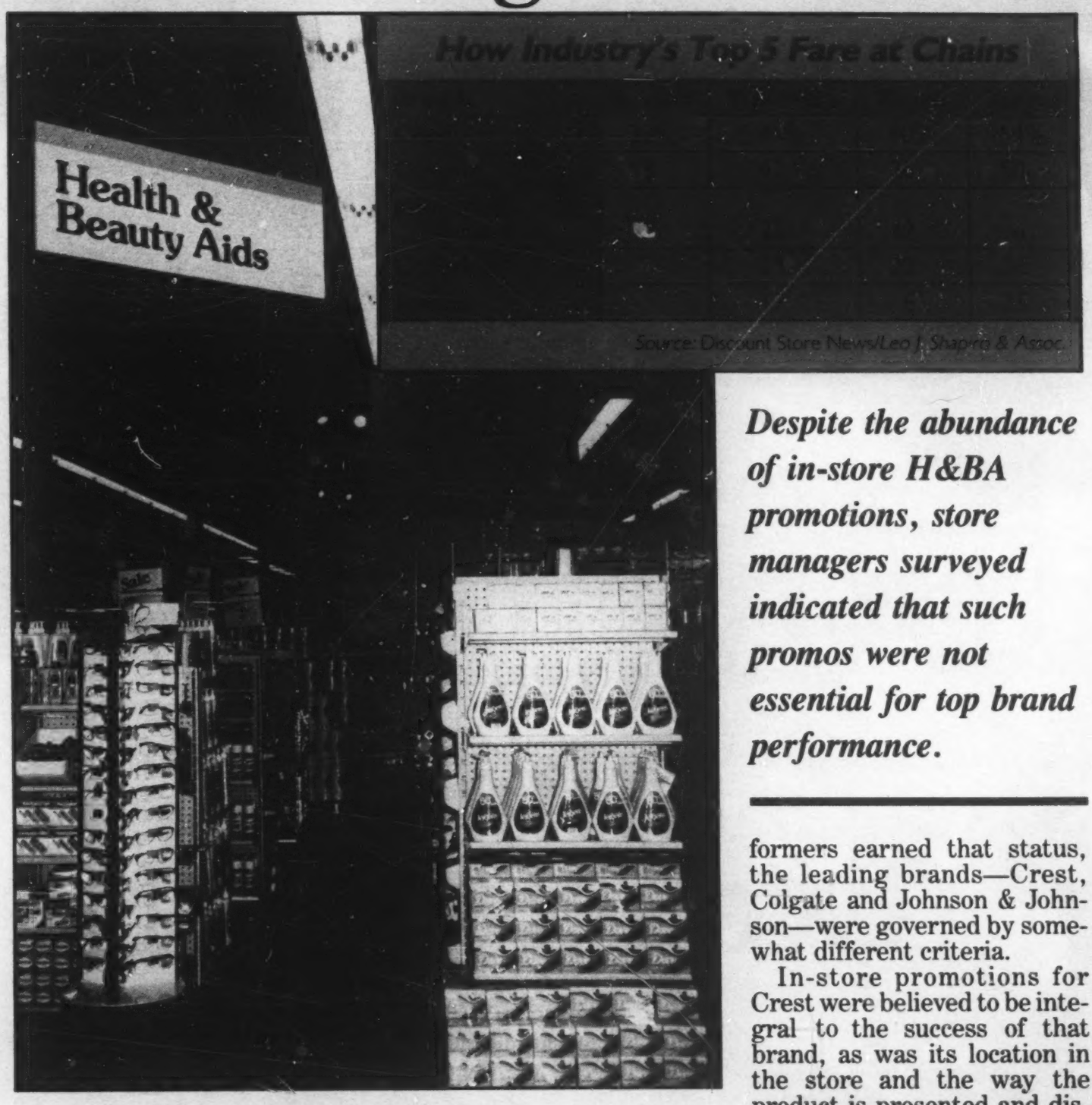
In addition to these reasons, Colgate was also seen to be a top performer because it's a brand shoppers request by name, a product line for which the shopper does not want a substitute.

Johnson & Johnson was also cited as a brand that people request by name. In-store promotion was also considered to be of primary importance by store managers who named Johnson & Johnson a best performing brand.

Unlike all other brand names listed on the top 10, Johnson & Johnson was also considered to be a top performer in the H&BA department because it is an established company, one that the consumer has been accustomed to seeing for a long time.

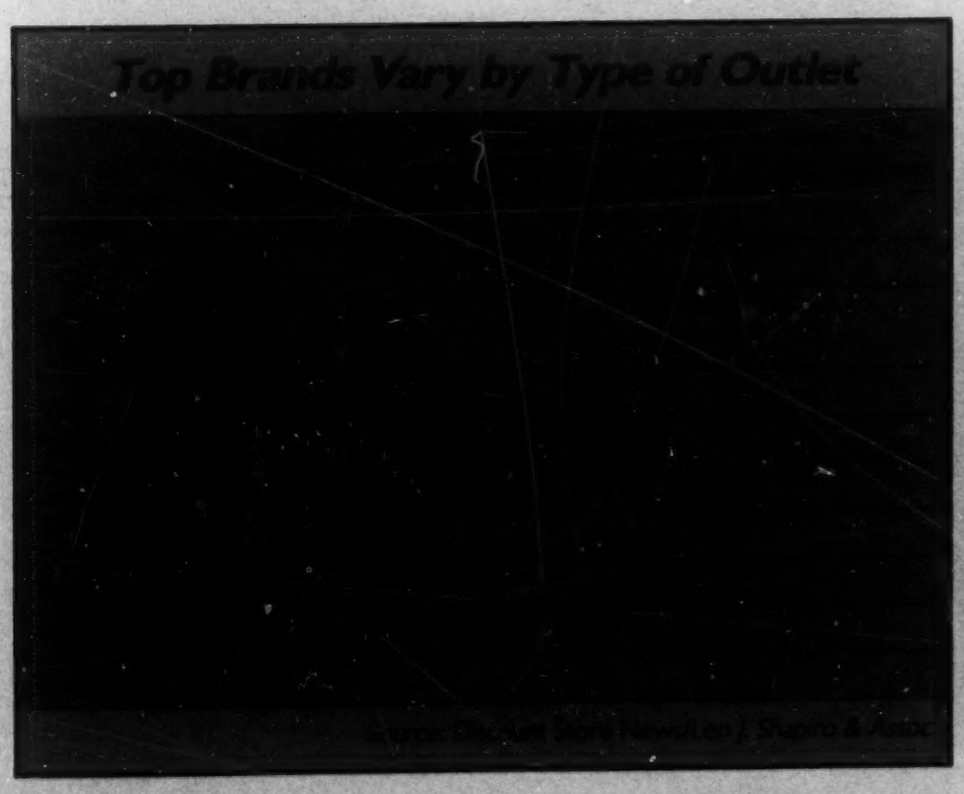
Quotes from store managers established several interesting points, one of which was the fact that Tylenol's success in their departments was encouraged by coupons and "buy one, get one free" campaigns. One store manager also noted that Tylenol has "seen a dramatic rebound since the tampered bottles [episode]" and has garnered success through well organized ad campaigns.

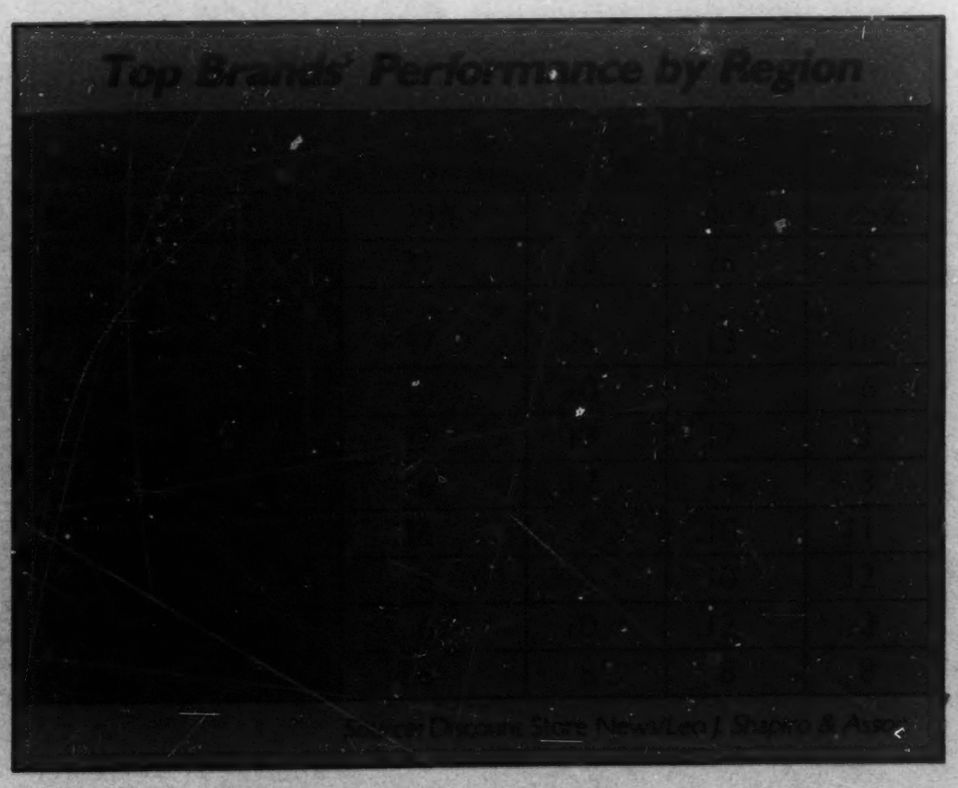
Among the health & beauty aids brands that were mentioned by a considerable number of store managers but did not, however, make the top 10 list were: Head & Shoulders, Vidal Sassoon, Prell and Stay Free.



Despite the abundance of in-store H&BA promotions, store managers surveyed indicated that such promos were not essential for top brand performance.

Nearly 60 different brand names were mentioned as being among the top performing H&BA brands—the largest number of top brand candidates nominated by discount store managers within any single department.





Advertising Spurs Toy Brands' Awareness

Nationwide DSN Report

For the third consecutive year, Fisher-Price and Mattel were mentioned most often by discount store managers as top performing brand names in their toy departments, according to *DSN*'s 1987 Top Brands Survey.

More than half of all discounters polled said that Fisher-Price was among their top brands, while a little less than half named Mattel as among their best performing toy brands.

Contributing to the strength of Fisher-Price as a top brand was an increase of support this year by upscale discounters. Nearly eight out of 10 upscale store managers named Fisher-Price as among their top brands, up from about two-thirds last year. Fully three-quarters of store managers at Target named Fisher-Price as among their top brands, up from about half a year ago.

Mattel showed slightly lower percentages of mentions by store managers across the board this year from last year, but it was still able to hold its No. 2 position with four out of 10 store managers naming Mattel among their top performing toy brands.

Coleco also remained in its same fourth position. Two out of 10 store managers named Coleco among their best performing brands. Coleco appeared to garner less support from Zayre and K mart managers polled this year than in the past.

Playskool, ranked again as the third most often mentioned brand, received more mentions than Mattel among upscale discounters, with four out of 10 upscale store managers naming Playskool as among their best performing brands. Store managers at K mart and Target also mentioned Playskool more often this year than last, while mentions of the brand by Wal-Mart and Zayre managers decreased this year.

The increased strength at upscale discounters for both Playskool and Fisher-Price supports an industry trend that consumers perceive educational and pre-school toys of more value than such highly promotable toy categories as action lines and will pay more for them. As a further indication, Mattel, Coleco, Milton Bradley and Hasbro all exhibited lower percentages of mentions at upscale discounters than they garnered in previous years.

How Industry's Top 5 Fare at Chains

Brands	Kmart	Wal-Mart	Zayre	Target
Fisher-Price	52%	50%	60%	75%
Mattel	48	50	28	50
Playskool	41	29	31	34
Coleco	8	25	32	23
Huffy	23	33	20	2

Source: Discount Store News/Leo J. Shapiro & Assoc.

Huffy made a significant move upward and became the fifth top brand this year, moving up from the ninth position last year. Sixteen percent of all discounters named Huffy as among their top performers, with the increase mainly at conventional discounters. One-fifth of store managers at conventional discounters mentioned Huffy as a top brand compared to just 5 percent of upscale discounters. Huffy received its greatest support from Wal-Mart store managers.

Hasbro, remaining in the sixth position, got extra percentage points from its hottest toy, Pogo Bal, introduced at last winter's Toy Fair. The toy had so much identification from store managers, it ranked separately from Hasbro as the eighth top brand.

Milton Bradley dropped down two notches from the fifth top brand last year to the seventh spot this year among store managers. Twelve percent of all discounters supported the brand, down from 22 percent last year.

The last two entries are also new entries to the top 10 chart. Murray took over the ninth position while Little Tikes became the 10th best performing brand. Murray drew its highest percentage of mentions from managers of conventional discount stores. Twelve percent of store managers at conventional discounters named Murray as among their top brands, while only 1 percent of upscale discounters said so.

Little Tikes, on the other hand, was much more popular among upscale discounters, with 14 percent naming it as a top brand, compared to 4 percent of store managers at conventional discounters.

Fisher-Price increased its brand performance in every region of the country except the West, where it decreased from 65 percent last year to 41 percent this year. The brand performed the best in the Northeast region, followed by the North Central region and the South.

Mattel showed lower percentages of brand mentions in every region except the Northeast where it held steady at 41 percent. The best performing region for the brand this year was the West.

Playskool performed the best in the Northeast and North Central, performing better in these regions than last year.

Coleco's best region was the North Central, while Huffy, which scored higher ratings in all regions, exhibited its best showing in the West.

When store managers were asked why they picked certain brands as their best performing, the majority of store managers polled at Target (33 percent), Zayre (44 percent) and Wal-Mart (59 percent) all stated the reason was national brand or name brand.

However, only 6 percent of K mart store managers felt the product's national or name brand was a factor affecting its performance. Instead, the majority of K mart managers (34 percent) found two other reasons to be more important: That they advertise heavily or that people recognize them because they advertise; or that they have a wide variety and have a large line offering many products.

Even though the K mart managers' reasons for naming a brand as among their best performing differed from the other three discounters, the variation is not so great when one considers heavy advertising and wide variety usually complement a national brand name product. However, the difference does suggest that K mart store managers would be more willing than their counterparts at other chains to sell products without a national brand name if they were heavily advertised and had a large line to offer.

A significant portion of store managers at both Wal-Mart (four out of 10) and Zayre (two out of 10) cited heavy advertising as the reason why a brand was among their top performers. However, while the second-largest percentage of Target store managers (three out of 10) saw a good product or quality product as a more important reason, an equivalent number also recognized heavy advertising to be a contributing reason.

It shouldn't be surprising that an upscale discounter like Target found quality to be relatively more important to a brand's performance than managers at the more conventional discounters. Quality is important to justify the higher pricing that may accompany the products. However, the results clearly show that heavy advertising plays a major role in toy performance at all of these discounters.

Another difference among the top four discounters found Wal-Mart store managers (29 percent) citing good, low prices as an important reason for a brand's performance, a higher percentage than the other three chains. At Wal-Mart, product quality (with just 9 percent of mentions) was relatively less important compared to the other three.

The total number of store managers polled, who cited Fisher-Price as the top brand, stated heavy advertising and good product quality to be the two most important reasons why they mentioned that brand. When managers who cited Mattel as the top brand were asked why, they stated that a wide variety of products and heavy advertising were reasons for their selection.

The popularity of Fisher-Price, which for the third consecutive year received the most mentions from discount store managers as a top toy brand, supports the current trend that consumers perceive educational and pre-school toys to have the most value.

Top Brands Vary by Type of Outlet

All	Conventional	Upscale
59%	51%	79%
40	40	39
33	30	41
19	18	22
16	20	5
14	15	12
12	12	12
10	11	8
9	12	1
7	4	14

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

Northeast	North Central	South	West
76%	54%	65%	41%
41	34	41	44
49	30	31	28
18	12	27	19
14	13	17	21
16	18	13	10
16	14	13	5
6	7	11	20
6	12	3	17
10	4	9	6

Source: Discount Store News/Leo J. Shapiro & Assoc.

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B&D, Stanley Head Diverse Hardware Brands

Nationwide DSN Report

For the fifth consecutive year, Black & Decker and Stanley were named by discount store managers as the top brand names in the hardware category, according to the 1987 *DSN* Top Brands Survey.

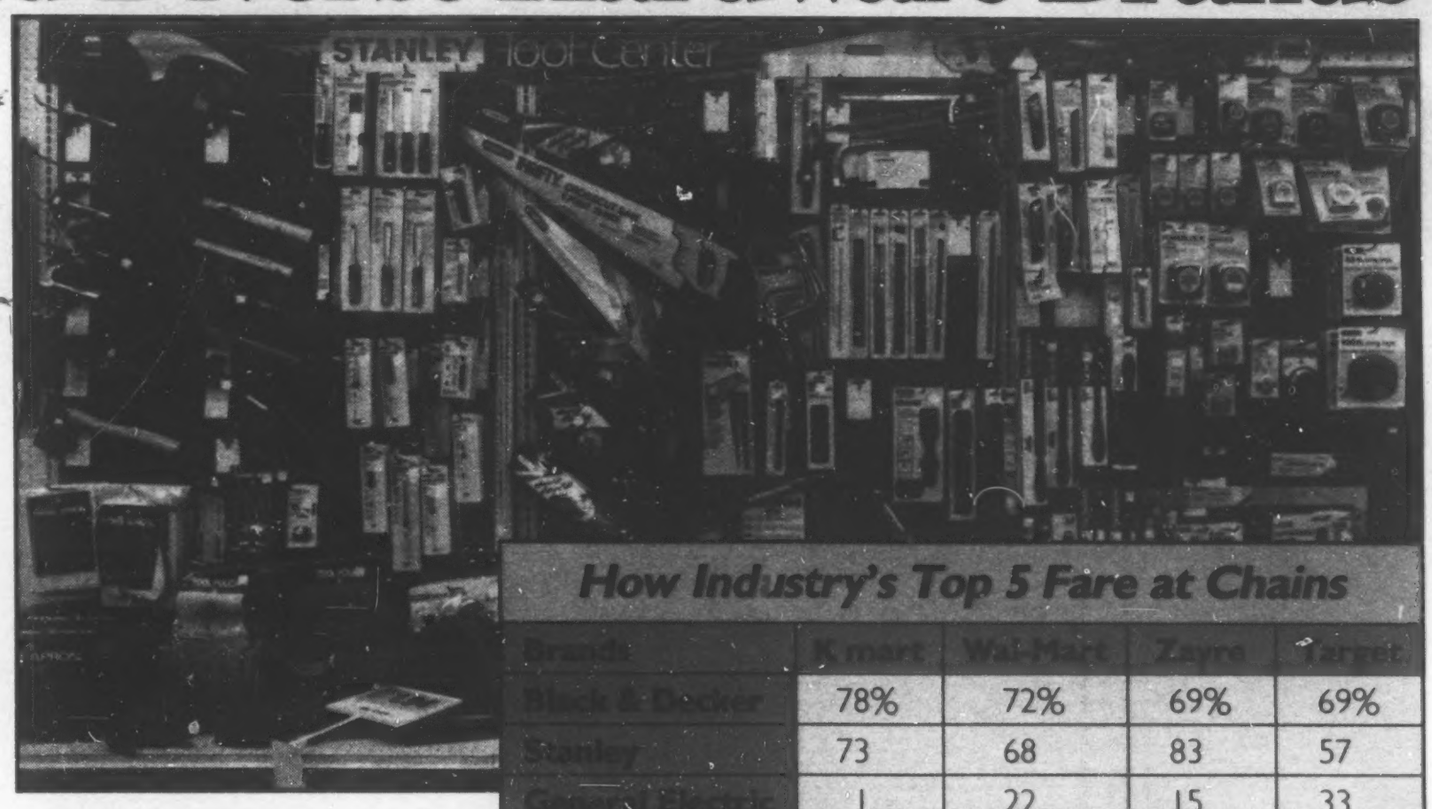
As in the past, Black & Decker came out on top among all discounters and at upscale discounters like Target. But for the first time, Stanley unseated Black & Decker for the top position among conventional discounters such as K mart, Wal-Mart and Zayre.

When all discount store managers were asked which brand names come to mind as among their best-performing brands in the hardware department, Black & Decker was mentioned by more than two-thirds of the respondents. Stanley, just two percentage points behind, still garnered over two-thirds of the total responses, a testament to the overwhelming dominance of those two brands.

Upscale retailers, however, placed Black & Decker in a more commanding lead over Stanley, with almost seven out of 10 mentioning B&D compared to less than six out of 10 upscale discount store managers naming the New Canaan, Conn.-based hardware and tool company.

Among conventional retailers, Stanley was named as the top hardware brand, just barely edging out Black & Decker by two percentage points. Both brands were mentioned by more than six out of seven of the discount store managers surveyed as being among their best-performing brands.

Conventional discounters mentioned Black & Decker eight of 10 times and Stanley slightly less than that in last year's survey. Upscale retailers listed Black & Decker nearly eight out of 10 times, compared to less than seven of 10 for Stanley a year ago.



When it comes to popular name brands in the hardware department, many retailers continue to identify Stanley and Black & Decker as the labels performing best for them.

Last year, store managers in all three types of discount store outlets mentioned Black & Decker and Stanley more often as the top brands than they did this year.

Among all discounters in the 1986 survey, Black & Decker was named as the leading brand by nearly eight out of 10 managers surveyed, compared to seven of 10 for Stanley.

The third most often named hardware brand in the 1987 survey, as in the past, was General Electric. GE's standing strengthened among upscale discounters but was still a distant third on the top 10 list.

This year, General Electric was named by slightly more than one of every 10 store managers surveyed, a slight increase over last year. General Electric was mentioned as among the top-performing brands by one-fifth of the upscale store managers. Conventional discounters named GE a top performer 7 percent of the time, unchanged from the 1986 survey.

Glidden was the fourth-place finisher in this year's survey, recovering ground lost last year when it slipped to sixth place.

The strongest showing for Glidden was at upscale discounters who mentioned the paint brand nearly one-fifth of the time, up from just 12 percent a year ago. Nearly one in 10 discounters mentioned the paint brand this year, almost double the response rate of 1986. And the Glidden label was mentioned by 7 percent of the conventional retailers compared to just 2 percent last year.

Rounding out the top 10 in descending order was Rubbermaid, a newcomer to the top 10 hardware list; Lucite, which dropped from fourth a year ago; Hirsh, unchanged from 1986; Skil, down from fifth last year; Genie and Olympic, ninth and tenth, respectively, and also both new to the list.

Great Neck, Homelite and DuPont—eighth, ninth and tenth on the 1986 survey—did not make the top 10 list in the hardware category this year.

Some of the shifting of position within this merchandise category can probably be attributed to the diversity of products in the hardware department in the discount industry and to the plethora of new products now available by a growing number of manufacturers, many of which often cross category lines.

For example, Black & Decker manufactures power tools and accessories, lawn mowers and small electric appliances—product lines that cross the hardware, lawn & garden and housewares categories; and Rubbermaid, generally considered to be a housewares manufacturer, produces such items as garbage pails and storage items that are merchandised in the hardware department. Other Rubbermaid merchandise is often displayed in the lawn & garden department, bath area and automotives section.

Since each retailer groups products differently, managers' perceptions of why certain brands perform well varies greatly.

When managers were asked why a particular product comes to mind as a top brand in the hardware category, respondents attributed the success to a number of factors: national brand name status; item quality; good or low prices; heavily advertised and consumer recognition of those ads; variety within the lines; and brand recognition.

Among the four largest discount chains—K mart, Wal-Mart, Target and Zayre—Black & Decker and Stanley held a more commanding lead than in the broader survey which grouped responses by type of outlet.

Stanley brand products were named more often by store managers at Zayre as the top hardware brand name than they were at the other three discounters, and with a more dramatic lead than those products showed last year.

More than eight out of 10 Zayre managers mentioned Stanley as a top hardware

(Continued on page 148)

The growing importance of home security devices among consumers has given retailers a new way to merchandise such products as outdoor lights in the hardware department. (DSN photos)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Black & Decker	78%	72%	69%	69%
Stanley	73	68	83	57
General Electric	1	22	15	33
Glidden	11	—	—	27
Rubbermaid	4	4	—	6

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Black & Decker	66%	65%	68%
Stanley	64	67	56
General Electric	11	7	21
Glidden	9	7	16
Rubbermaid	6	4	9
Hirsh	4	5	4
Skil	3	2	5
Genie	3	4	—
Olympic	2	—	7
Great Neck	1	—	4
Homelite	1	1	2

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Black & Decker	71%	55%	72%	68%
Stanley	79	61	61	61
General Electric	18	9	15	3
Glidden	4	5	14	12
Rubbermaid	8	1	7	9
Hirsh	8	6	3	1
Skil	6	2	4	1
Genie	—	1	1	12
Olympic	6	—	4	—
Great Neck	—	1	3	—
Homelite	4	1	1	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Diversity Brings Some Newcomers to Top Hardware Brands

Hardware departments at most discount retailers are outfitted with a wide range of products, including flashlights, like this display of Black & Decker's lighting series line. (DSN photo)

(Continued from page 147)

brand, compared to less than seven out of 10 for Black & Decker. Only four percentage points separated these two top brands last year.

Stanley held the No. 1 spot last year at K mart and Wal-Mart but took second place in the minds of store managers at those chains this year. Eight out of 10 K mart managers named Black & Decker this year, while seven out of 10 mentioned Stanley. Stanley held the edge by two percentage points last year.

Black & Decker was mentioned as the top hardware brand name this year by 72 percent of surveyed managers at Wal-Mart, while Stanley was cited by 68 percent. Last year, both brands got substantially higher brand recognition by managers, with nearly all respondents mentioning both brands.

Target managers continued to name Black & Decker more often than Stanley as the top hardware brand. Seven of 10 named B&D, compared to less than six of 10 for Stanley.

General Electric remained one of the top five brand names mentioned by K mart, Wal-Mart, Zayre and Target, with Target managers leading the group. One-third of Target managers named General Electric as one of their best performing brands, compared to just one-fifth of Target managers a year ago. Twenty-two percent of Wal-Mart managers named General Electric as a top brand, up from 17 percent last year. And, 15 percent of Zayre managers named General Electric as a top hardware brand name, up from 6 percent in 1986.

K mart Choices Differ

Only K mart buyers named General Electric less often this year (1 percent) than last year (5 percent).

In its place, K mart managers named Glidden 11 percent of the time.

Glidden didn't make the top five brand list among these four discount retailers last year.

Target buyers named Glidden as a top brand nearly 3 of 10 times in the survey but Wal-Mart and Zayre did not list Glidden at all, which isn't surprising since they don't sell Glidden paint.

Rubbermaid, which is not usually considered a hardware item, rounded out the top five brand list among these retailers. Rubbermaid was most often named by Target managers, followed by K mart and Wal-Mart. It was not named as a hardware item at Zayre.

Regionally, Stanley was most often mentioned as the top hardware brand by retailers in the Northeast and South, while Black & Decker drew its greatest support from managers in the North Central and Western states.

Of the remaining eight brands on the top 10 list, Northeastern-based managers gave the strongest brand recognition to General Electric, Rubbermaid and Lucite; Southern-based managers said General Electric, Glidden and Lucite; North Central retailers cited General Electric, Glidden and Rubbermaid most often; and Western managers mentioned Skil, Glidden and Rubbermaid.

Among retailers with stores over 100,000 square feet, the strongest brands in the hardware category in addition to the top two were Glidden and Rubbermaid.

After Black & Decker and Stanley, General Electric was the brand mentioned more often than others as the top hardware brand among retailers in stores with between 60,000 square feet and 100,000 square feet of selling space and at smaller stores of 60,000 square feet and less.

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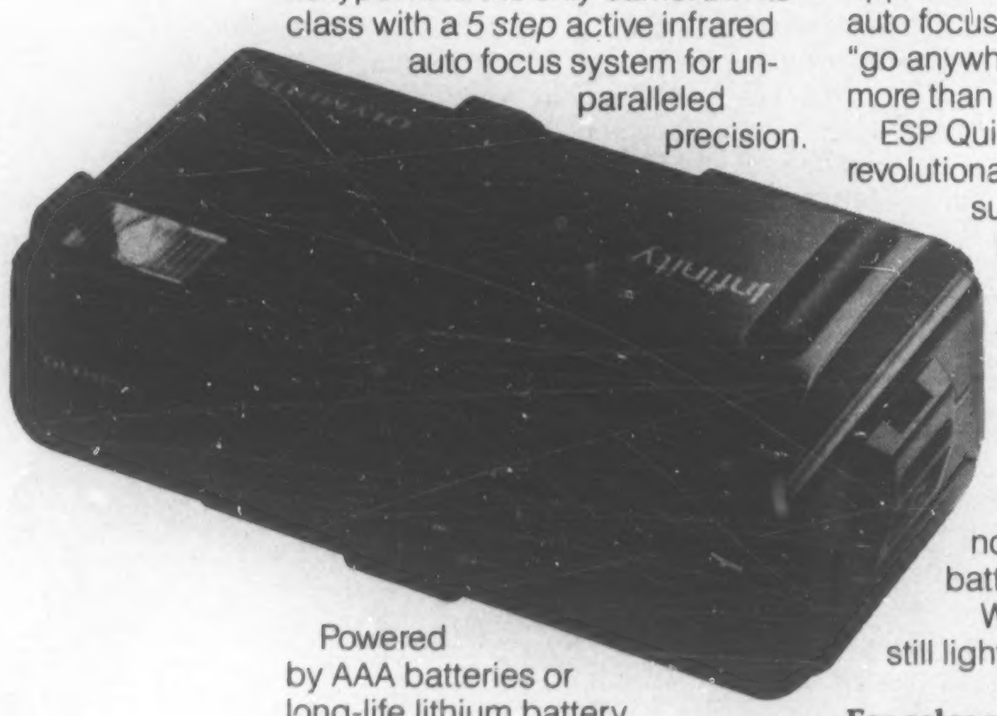

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Coleman Takes Back No. 1 Position; Named Top Sporting Goods Brand

Nationwide DSN Report

Coleman returned a favor by moving up a notch into first place in *DSN*'s 1987 Top Brands Survey, supplanting Wilson as the sporting goods brand most often mentioned by discount store managers as their best performer.

Last year, Wilson pushed Coleman out of the top slot. This year, the leading maker of camping and outdoor goods was almost equally strong among conventional and upscale operations and finished No. 1 in virtually every category considered.

Huffy, the bicycle manufacturer, built on its strong upscale support to climb three places to finish fifth, the most dramatic growth in the top 10, while fishing tackle manufacturer Daiwa was the only new entry on the chart, at No. 10. Wilson, last year's top rated brand, suffered some erosion of its support among convention discounters like K mart, Wal-Mart and Zayre, although its support at upscale chains like Target held steady.

Among conventional discounters, Coleman was a hands-down winner with both K mart and Wal-Mart, while Wilson took Zayre handily with one of two store managers choosing the athletic goods maker. Wilson's upscale showing was hurt by a low (about one in four) mention rate from Target managers.

Regionally, Wilson was very strong in the Northeast, but weak in the West, where Coleman outperformed every other brand name by at least a margin of 3-to-1. Wilson trailed Coleman by much smaller margins in the South and North Central regions.

Huffy made a strong showing at Zayre but was weak with K mart managers. Huffy was second only to Coleman with Target managers and was relatively strong in the North Central region.

Three fishing tackle companies, Garcia, Shakespeare, and Daiwa, ranked second, third and fifth, respectively, among Western discounters. The first two actually beat out Wilson, which placed fourth in the region.

Capsulized manager comments reveal that Coleman's success is related to its brand name exposure, perceived quality and value, and the strength of camping as a sporting goods category. "People come in looking for Coleman cookers and camping equipment," one manager said. "It's a quality name brand and camping is very popular [this year]," another added. A third specifically mentioned Coleman's return warranty as an attraction.

Shakespeare and Zebco were also mentioned often, with most comments reflecting the companies' name position with consumers and the seasonal attraction of fishing. Zebco was also cited for its low prices and aggressive magazine advertising.

Huffy was the only other brand to receive numerous verbal mentions, most of which emphasized quality and durability of the company's bicycles. "Good prices, good quality and well known," one manager said. "They have good durable products and few items are returned," another commented.

Like camping, fishing and baseball equipment, Huffy was probably helped by the late spring timeframe of the original interviews.

To no one's surprise, the top 10 consists solely of outdoor activities, with athletic goods and fishing equipment leading with four companies placing in each category. Camping and bicycling placed one company each with Coleman and Huffy. Overall, fishing received the most support, with several other companies, such as Berkley and Shimeno, placing

(Continued on page 151)

Top Brands Vary by Type of Outlet

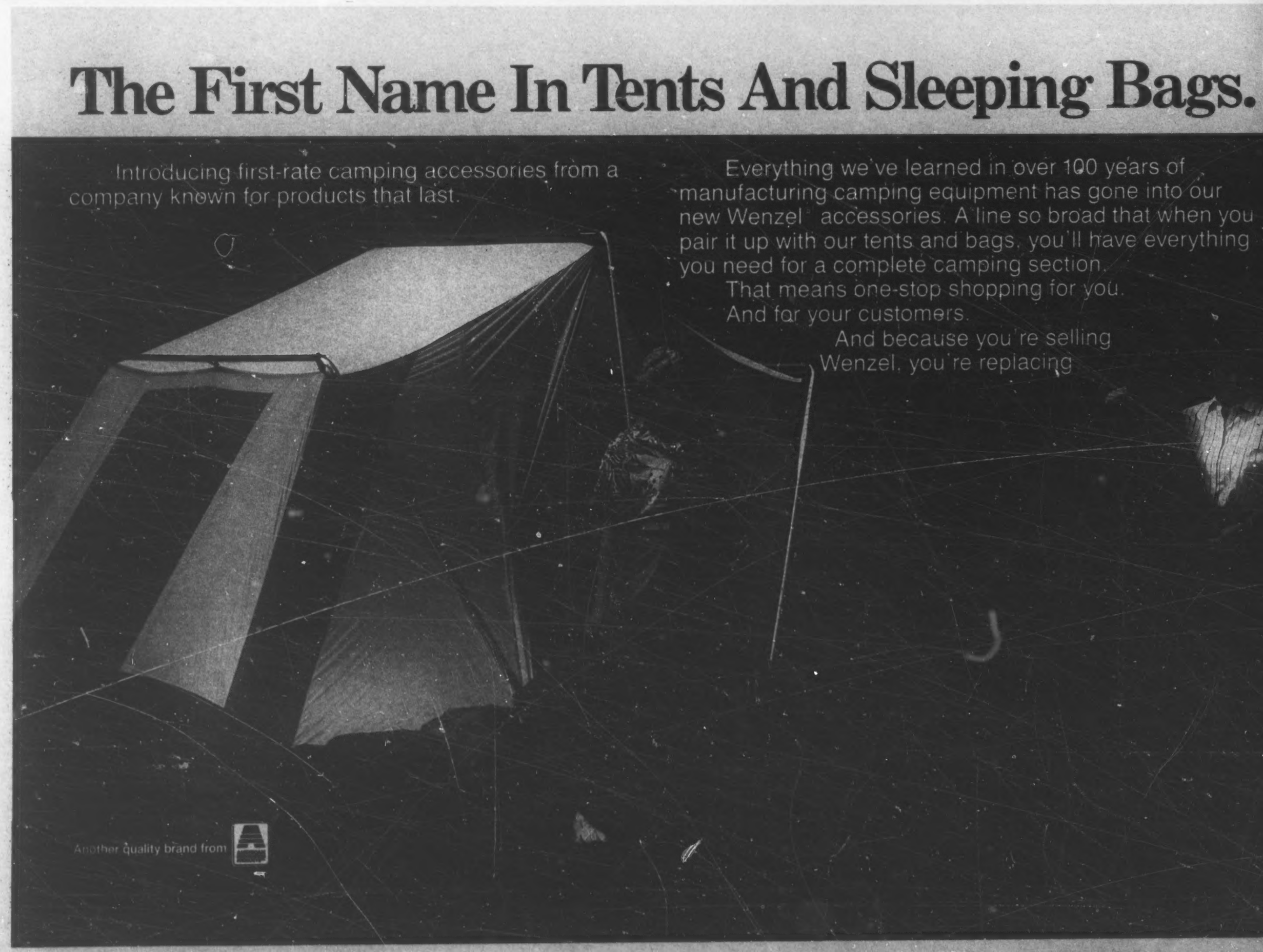
44%	39%	58%
35	29	49
28	18	50
15	16	10
12	8	24
12	12	12
10	13	3
7	6	10
7	9	1
6	8	3

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

49%	33%	51%	47%
58	33	37	14
45	20	36	11
8	21	20	2
8	13	19	6
12	11	15	9
6	8	11	15
12	5	10	2
—	5	6	16
4	4	6	12

Source: Discount Store News/Leo J. Shapiro & Assoc.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And because you're selling Wenzel, you're replacing
Another quality brand from

Coleman Unseats Wilson to Reclaim Sporting Goods Top Spot

(Continued from page 150)
further down the list.

Managers felt that sporting goods, as a whole, will grow through next year, with about 30 percent of those answering forecasting increases of 10 percent or better. Another 25 percent expect more moderate gains of 10 percent or less.

With optimism like that, individual brands scored well in future growth projections. Coleman, Wilson, Spaulding, Zebco, Shakespeare, Garcia and Daiwa were standouts as best performers at chains that are forecasting sales growth.

Results sometimes varied widely by chain. The responses from managers at four top chains, Wal-Mart, K mart, Zayre and Target, were isolated from other chains interviewed, and the results are sometimes surprising.

For instance, Spaulding and Zebco received little attention from Zayre and K mart managers, but both were very strong at Wal-Mart. Zebco was more popular with Target than with other upscale discounters and Spaulding received significant support from Target managers.

Coleman was an across-the-board favorite, but Wilson was nearly twice as popular with Zayre managers. Wilson also was a narrow favorite with upscale discounters other than Target.

MacGregor, Shakespeare, Garcia and Daiwa owe their standing among traditional discounters almost exclusively to K mart managers. None performed well with either Wal-Mart or Zayre and only MacGregor showed much support with upscalers.

Wal-Mart managers favored only two brands, Spaulding and Zebco, at significantly above the industry rate. Zayre showed above-average support for Wilson and Huffy.

Upscale discounters also often mentioned Wilson and Huffy among their top performing name brands, and Spaulding and MacGregor also did better with the upscale set than with conventional discounters. Zebco and Shakespeare fared worse at the upper end than with the conventional stores.

Coleman, very strong with K mart and Wal-Mart managers, was even stronger with Target and other upscale store managers. Nearly six out of 10 Target managers cited Coleman as a best performing brand compared to between four and five out of 10 K mart and Wal-Mart managers. Only Zayre had less than a third of its store managers citing Coleman.

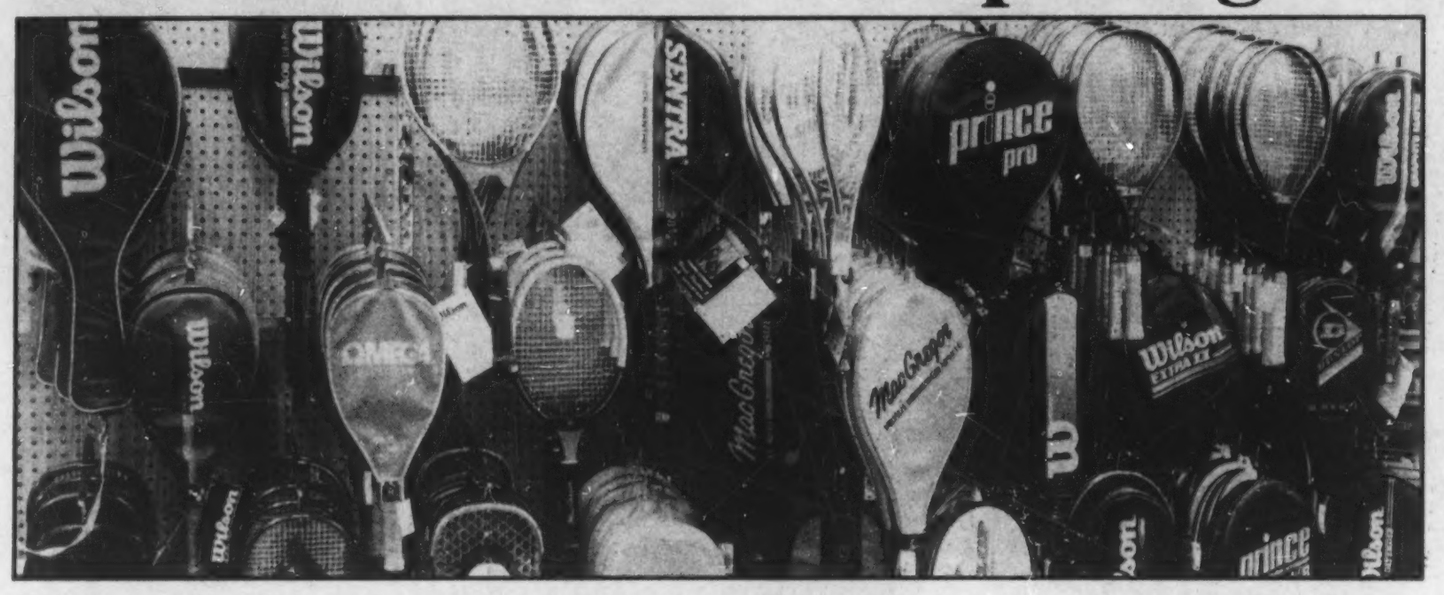
Managers were emphatic in answering why they preferred Coleman. Nearly seven out of 10 of those choosing Coleman as their best performing sporting goods brand said that its national brand status was its major selling point. Other popular responses included product quality, seasonality and, to a lesser extent, low prices.

Those choosing Wilson cited brand recognition, heavy advertising and customer request as key advantages, although only one response (brand recognition) scored over 20 percent of replies.

Zebco received strong support due to low prices, seasonality and extensive advertising—as well as brand recognition.

The large number of seasonality responses indicates that the timing of the survey may favor certain brands over others. Firearms, for instance, placed very poorly in the results while activities normally associated with springtime routinely did well.

Regionally, the Northeast and North Central regions most closely conformed to total preferences; the West clearly did not conform at all. Although Coleman finished at the top in the West, the next 10, in order, were Garcia, Shakespeare, Wilson, Daiwa, Spaulding, MacGregor, Remington, Huffy, Gott and Murray. None of the last four received much support anywhere else, except Gott, which placed ninth among Southern store managers.



Wilson and MacGregor (above, from a K mart sporting goods department) were two Top Brands leaders, although Coleman reclaimed the No. 1 position Wilson took from it last year. (DSN photo)

How Industry's Top 5 Fare at Chains

Brands	Kmart	Wal-Mart	Zayre	Target
Coleman	41%	51%	28%	56%
Wilson	29	33	50	27
Spaulding	17	31	14	36
Zebco	13	45	5	17
Huffy	9	—	17	46

Source: Discount Store News/Leo J. Shapiro & Assoc.

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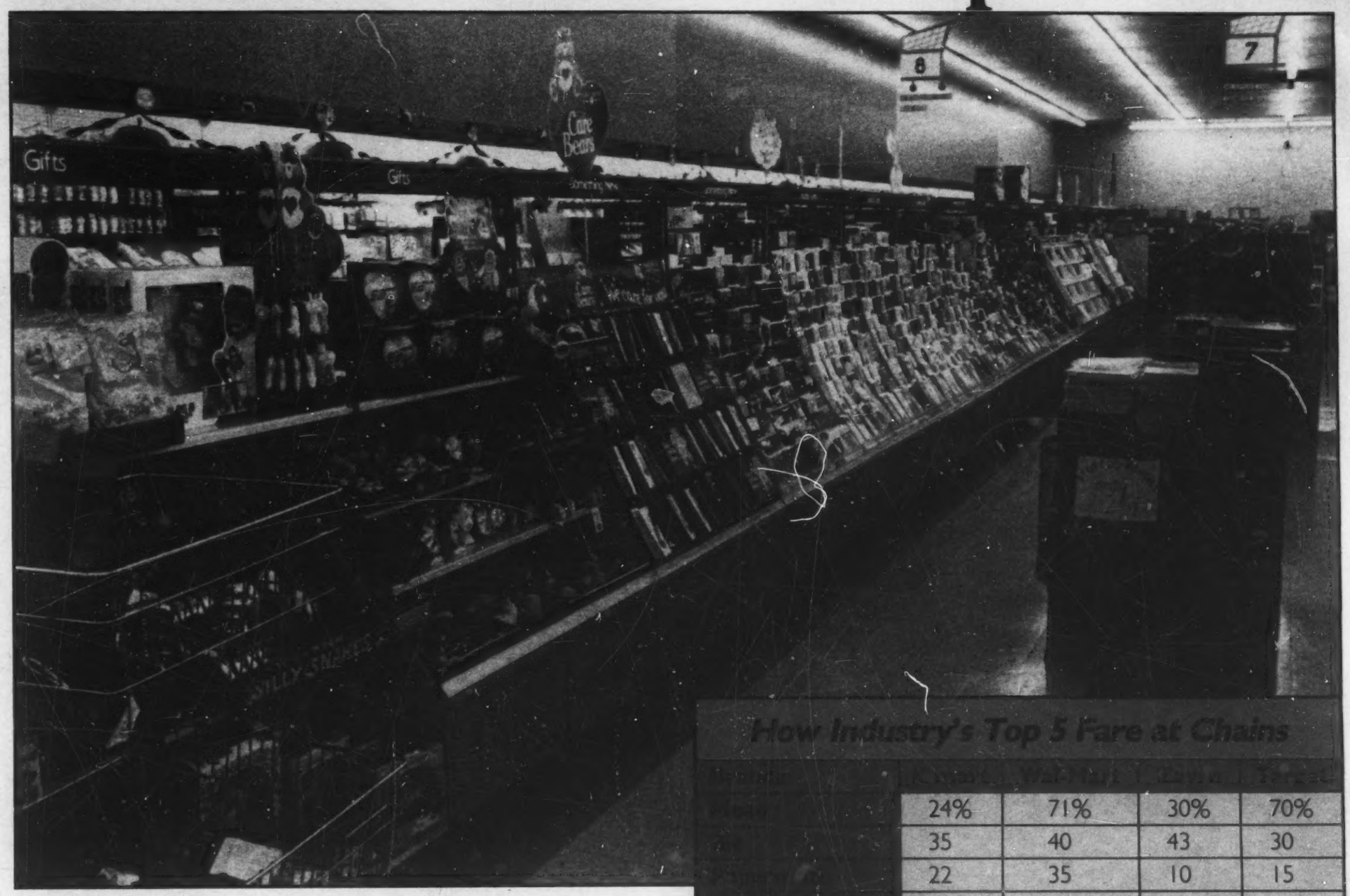
Writing Instruments Snare 5 of Top 10 Slots



Although five of the top 10 stationery brands are writing instruments this year, stationery departments have expanded beyond paper and pens and include wide assortments of products from writing tablets to greeting cards and assorted gift items.

Nationwide DSN Report

Mead and Bic were most often mentioned by discount store managers as the best performing brands in the stationery departments, according to the 1987 *DSN* Top Brands Survey.

Bic, traditionally in the No. 2 spot to Mead, continues to close the gap that separates the two brands. In fact, at conventional discounters like K mart, Wal-Mart and Zayre, Bic tied the paper company for top ranking in brand mentions.

Both Mead and Bic were mentioned as the top stationery brands by more than one-third of the conventional discount store managers polled for this survey.

Last year, when these managers were asked to name their best performing brands in the stationery department, Mead held a convincing lead over second-place Bic, 54 percent to 44 percent.

Among all discounters, Mead's lead over Bic was slim. Only two percentage points separated the brands, compared to Mead's 14 percentage point lead over the popular brand of disposable pens one year ago.

At upscale discounters, Mead strengthened its hold on first place. One-half of all discount retailers surveyed said Mead was their best performing stationery brand. But second-place Bic also strengthened its position. After being mentioned by fewer than three in 10 managers last year, Bic drew mentions from more than four of 10 this year.

Mead and Bic continue to exchange top ranking for best performing brand when polled according to specific retailers, geographic region and store size.

In general, discount stores with more than 100,000 square feet of selling space gave Bic top honors in the stationery department. But in smaller stores, between 60,000 square feet and 100,000 square feet, and units under 60,000 square feet, Mead was the top stationery brand.

At K mart, the nation's largest discounter, Bic replaced Mead for the No. 1 position.

When asked to name their best performing stationery brands, one-third of all K mart managers surveyed said Bic was among the best, compared to less than one-quarter who mentioned Mead.

More than four of 10 Zayre managers said Bic was the top selling stationery brand compared to three of 10 for Mead.

Among Wal-Mart and Target managers, Mead still leads Bic by very large margins. Seven of 10 Wal-Mart managers mentioned Mead most often when asked to name their best performing stationery brands, compared to four of 10 for Bic.

And at Target, seven of 10 surveyed said Mead was among their best performing brand names in their stationery departments, compared to three in 10 mentions for Bic.

The two top brands widened their lead over other brands in the 1987 survey. Generally, Papermate brand pens came in third on most categories of this year's stationery brands survey, the same as in the 1986 survey.

Papermate was strong at K mart, where only two percentage points separated it and Mead.

At Wal-Mart, five percentage points separated second-place Bic from third-place Papermate. But the gap was wider at Zayre and Target.

Papermate came in fifth at Zayre, falling behind American Greetings, which is new to the top five brands list among the nation's top discount chains, and fourth-place Crayola.

American Greetings closed in on Mead's second-place spot at Zayre. Managers at Zayre named American Greetings as a top selling stationery brand nearly as often as they did Mead.

Papermate, which held the third spot on the top five list last year at Zayre, fell to fifth in the 1987 survey. With only one in 10 managers mentioning Papermate as a top stationery brand, it was edged out of fourth by Crayola, which was mentioned by more than one in 10 managers interviewed.

Papermate brand pens held on firmly to third place at Target, and even strengthened its position there. But that spot is being threatened by American Greetings and Parker, which all got nearly the same response level as Papermate, slightly more than 10 percent of the surveyed store managers.

Rounding out the top five brands at K mart and Wal-Mart was Crayola in fourth and American Greetings in fifth.

The shift in position among top stationery companies can sometimes come down to this year's new product introductions, commented Gene O'Donnell, vice president, hard lines at Hills Department Stores, Canton, Mass.

This can be particularly true in the writing instruments category, where new colors abound and fashion is beginning to affect customer purchases.

In fact, half of the top 10 stationery brands are writing instruments this year. Another three are greeting cards companies, one is notebook/filler paper and the other is tape.

And according to a number of retailers and manufacturers previously interviewed by *DSN*, lower-priced writing instruments are a cornerstone product in discounter's stationery departments.

But more higher-priced merchandise, like Parker pens, are starting to grab a larger share of stationery sales at discounters. They are taking up more space on retail shelves, a result of the growing affluence among consumers. Many of these customers want to trade up to products perceived to be of higher quality and "snob appeal," one retailer observed.

Greeting cards are also gaining more strength at discounters, a testament to "life-

(Continued on page 157)

How Industry's Top 5 Fare at Chains

24%	71%	30%	70%
35	40	43	30
22	35	10	15
7	8	26	13
11	18	11	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands Vary by Type of Outlet

40%	35%	50%
38	35	44
21	19	24
12	10	17
10	11	9
9	9	10
5	3	10
5	3	7
2	2	2
2	2	1

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

32%	47%	48%	22%
56	23	44	34
23	23	22	13
16	12	15	4
12	12	10	7
2	8	14	12
—	7	9	—
4	5	7	1
—	2	3	2
4	1	3	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Chains Credit New Product Intros for Shifts in Top 10 Brands

(Continued from page 153)

style" messages and illustrations. American Greetings, for example, rose from seventh to fourth place on the top-brands-by-outlet list, increasing its strength dramatically at each outlet type.

Ambassador entered the top 10 brands list at No. 9 for the first time this year.

Among all discounters, American Greetings cards placed fourth with a mention rate of more than one in 10, followed by Crayola, Parker, Scripto, Stuart Hall, Ambassador and Scotch.

More conventional discounters gave Crayola the fourth place spot on the top brands list in stationery, followed by American Greetings, Parker, Scripto, Stuart Hall, Ambassador and Scotch.

Upscale discounters put American Greetings fourth on the stationery brands survey followed by Scripto, Parker, Stuart Hall, Ambassador and Scotch.

New products are particularly important for writing instruments, where new colors abound and fashion is becoming a factor.

When it comes to the top brands, store managers said the success of a product comes down to price, in the case of Bic; selection, in the case of American Greetings; and brand name recognition, in the case of Mead.

Regionally, the top 10 stationery brands mirror that of the outlet type.

Bic was ranked as the top stationery brand in the Northeast and West, ahead of Mead. And, in the South and West, Mead was the top performer.

Papermate was the third-ranked stationery brand across all four regions, but after that, the line-up changes.

In the Northeast, American Greetings slid into fourth place, with nearly one-fifth of the managers mentioning the greeting card company as a top stationery brand. It was followed by Crayola and Stuart Hall and Scotch. Ambassador was listed as the 10th best performer on the regional brands chart but was not mentioned by Northeastern-based retailers in this survey.

Ambassador was the ninth top brand in the South and West and tied with Scotch for ninth and tenth positions in the North Central region.

In the South, Crayola was tied for fourth with American Greetings, with one in 10 managers naming the two brands. They were followed by Parker, Scripto, Stuart Hall, Ambassador and Scotch.

American Greetings was fourth in the North Central region, with almost two in 10 store managers naming the greeting card company.

When it comes to selling 'lifestyle,' perhaps no category of merchandise does it better than greeting cards, which deliver their message directly to the customer.

Fashion and lifestyle concepts have been embraced by stationery shoppers who now consider color, style and design when purchasing pens, pencils, paper and greeting cards. (DSN photos)

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Cosmetics Success Attributed to Pricing, Ads

Nationwide DSN Report

Top ranked cosmetic brands underwent a shift in chain and regional dominance, according to *DSN*'s 1987 Top Brands Survey.

Low price, wide brand assortment and national distribution were among the primary factors determining which brands store managers at chains like K mart, Wal-Mart, Zayre and Target selected as their top cosmetics department performers.

According to the store managers polled, last year's four brand leaders—Maybelline, Revlon, Cover Girl and Max Factor—were again identified as the top performing brands in the cosmetics category.

Despite the fact that last year's top four brands maintained their respective rankings overall, there was a change in the best performing brands by type of discounter.

For example, managers at upscale discounters such as Target Stores mentioned the top four brands more often than they did last year.

In comparison, K mart, Wal-Mart, Zayre and other conventional full-line discount department stores cited the top four brands less frequently than the previous year.

The higher incidence of mentions from upscale discounters did not, however, offset the decline in conventional discounters, except in the case of Cover Girl which received slightly more mentions by all discounters over last year's study.

Emerging Brands Compete

Competition from emerging brands at the conventional chains is one explanation for the decline, taking a share of overall mentions from Maybelline, Revlon and Max Factor.

Cutex and Almay, two brands that had not received enough mentions to be ranked on last year's top 10 chart, moved into eighth and tenth places, respectively.

Almay's upper-end positioning paid off with 10 percent of mentions at upscalers, but no top mentions among conventional discount stores surveyed.

Noxell was a strong performer moving from No. 9 in 1986 to No. 5.

L'Oreal, Clairol, and Aziza were ranked No. 6, No. 7, and No. 9, respectively by store managers surveyed.

Regionally, the top four were ranked as the leading performing cosmetics brands in Northeastern and North Central stores more often than last year but were less dominant in the South and West, areas where the demographics are more varied.

The only exception to this regional shift was a marginal gain in the number of mentions Cover Girl received in the West. Other than that, all increased mentions among the top four were generated in the Northern region.

At individual chains, Maybelline drew slightly more responses from Target managers this year than last. Cover Girl grew in popularity as a top performing brand at both Zayre and Target. And, Max Factor exhibited its best rating among Target managers.

Good/low pricing and manufacturer advertising support were the two main ingredients for success among the best performing brands, according to all store managers surveyed.

Specific chains gauged success factors somewhat differently from one another.

Over half of the K mart store managers said the factor that made a given brand a top performer was based on the low price of the goods.

At Wal-Mart and Zayre, the single most frequently cited reason why a particular brand was a top performer was the variety of product lines available under the specific brand name. About three out of 10 store managers at those two chains indicated that variety was of greatest importance.

In contrast, Target store managers most often selected the top performer based on the amount of brand recognition generated by advertising support; roughly one-fourth of the Target managers surveyed agreed that this factor was integral in department performance.

While several of the chains surveyed have moved cosmetics department adjacencies, making it a neighbor to departments such as jewelry and apparel, only a handful of store managers indicated that the placement of the brand within the store has much bearing on its overall performance.

Branded merchandising panels set on an angle let shoppers see all available cosmetics department lines at a glance in Hills, Miamisburg, Ohio.

Product quality, in-store promotions and packaging were among the lowest-rated reasons for brand performance. While these may be important characteristics of a top performing product, store managers surveyed perhaps decided there wasn't enough difference among competing brands in these areas to make these reasons rate higher as affecting brand performance.

The survey indicated that Revlon and Cover Girl performed well primarily due to advertising support and because they are national brands, while Maybelline was recognized for its low prices.

How Industry's Top 5 Fare at Chains

Brands	K-mart	Wal-Mart	Zayre	Target
Maybelline	86%	73%	82%	88%
Cover Girl	50	58	59	63
Revlon	24	26	31	74
Max Factor	14	29	3	20
Noxell	28	—	2	8

Source: Discount Store News/Leo J. Shapiro & Assoc.

Revlon earned the highest score for advertising with nearly half of all managers citing this as a reason for department performance. Cover Girl had the highest number of respondents citing its brand name as a performance factor. Maybelline's low pricing was recognized by nearly four out of 10 of all store managers.

Among the comments store managers made concerning cosmetics brand leaders, were praises for Cover Girl's advertising. The fact that Cover Girl employs "known faces in advertisements" and markets itself as a "smudge proof" formula were among the reasons respondents gave for why they considered it the top performing brand.

Managers noted Maybelline for its "good, colorful packaging . . . eye-catching display and low prices," as factors in its success. Managers added, "It appeals to middle-income people," in addition to more price-sensitive shoppers.

"Good service. There is always a representative making sure the stock is full," said one manager about Revlon.

Goody, Hazel Bishop and Wet-N-Wild were among manufacturers who received positive commentary on their department performance, even though response was insufficient to place them among the top 10 brands.

Despite the fact that Goody makes hair accessories and not cosmetics, the manufacturer was recognized for its wide selection and low prices, probably because it is a line that sometimes becomes the responsibility of the cosmetics buyer.

Top Brands Vary by Type of Outlet

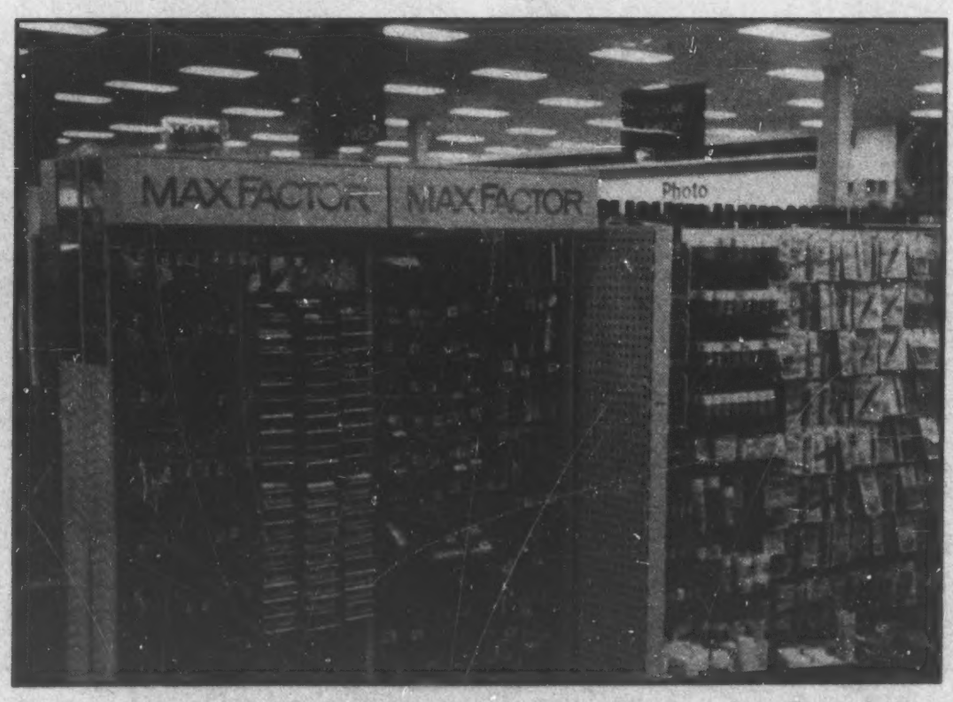
Brands	All Discounters	Conventional Discounters	Upscale Discounters
Maybelline	77%	77%	77%
Cover Girl	48	49	45
Revlon	42	29	76
Max Factor	23	18	36
Noxell	10	12	3
Clairol	7	6	10
L'Oreal	7	8	4
Aziza	6	6	5
Almay	4	2	8
Alexis	3	—	10

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Brands' Performance by Region

69%	80%	76%	79%
35	51	55	45
54	35	51	31
29	20	23	22
6	10	9	15
16	5	2	11
10	2	3	10
10	4	5	6
4	2	6	2
6	2	4	1

Source: Discount Store News/Leo J. Shapiro & Assoc.



The fashion appeal of cosmetics department product lines is enhanced by situating it adjacent to costume jewelry at Caldor, White Plains, N.Y. (DSN photos)

Dart Group Ups Dayton Hudson Takeover Bid to $6.3 Billion

(Continued from page 1)

Because Target, which has doubled its operations and annual revenues over the past five years, is D-H's best-performing division, not only would it fetch the highest price, its absence would also make D-H a less attractive takeover target.

With the proceeds from the sale, D-H could either buy back its own stock or make a large cash distribution to keep stockholders happy, Johnson suggested.

D-H might also just stand pat with the anti-takeover efforts it set in motion in June when the Dart Group first disclosed its takeover intentions.

D-H successfully lobbied during the summer for passage in the Minnesota legislature of the toughest anti-takeover bill in the country. That law bars a takeover company from selling any part of its target to pay off junk bonds floated to acquire the company's stock. Moreover, anyone who acquires more than 20 percent of a Minnesota corporation would have to get the approval of remaining stockholders to retain voting rights in the acquired shares.

The Dart Group might get 60 percent or 80 percent of Dayton Hudson shares and still be unable to place anyone on its board, Johnson said.

Dart Group

Landover, Md.
Chairman: Herbert H. Haft
President: Robert M. Haft

Divisions
Trak Auto Corp.
(includes Trak Auto East and West),
Crown Books Corp.,
Discount Books East,
Dart Group Financial Corp.,
Dart Delaware Corp.

1986 Sales*: $367.4 million
1986 Net Income*: $30.7 million

(Dart Group does not break out figures for its divisions.)
**Fiscal year ended Jan. 31, 1987*

Source: DSN research

Johnson said that D-H might also:

- Spin off its Dayton and Hudson department stores unit;
- Merge with a white knight;
- Initiate a leveraged buyout;
- Float junk bonds to buy back its stock.

The analyst declined to rate the probability of any of these scenarios, except to say that "The least likely is a Dart takeover."

Moreover, D-H claims that its problem division, the Mervyn's soft goods chain, is turning around and will show good fourth quarter results, Johnson said.

An earnings slump at Mervyn's has depressed Dayton Hudson profits and consequently its stock price, making it appear vulnerable to a takeover.

Johnson forecast D-H earnings in the third quarter to equal 45 cents a share, down from 55 cents a share in the year-ago period.

Second quarter reported operating profits equaled 24 cents a share, down from 37 cents a share in the same quarter of 1986, after adjustment for the 1986 sale of its B. Dalton book chain. That's a decline of 24 percent.

D-H attributed the slump to Mervyn's, which experienced a 10 percent gain in second quarter revenues, thanks largely to sales at 13 new stores. Same store sales were flat.

Operating profits at Mervyn's for the second quarter and first half were "down significantly from last year, reflecting a lower gross margin rate and weak comparable store sales," D-H said.

In contrast, Target sales in the second quarter rose 17 percent, including a 6 percent gain in same store sales. "Operating profit was higher than a year ago, reflecting improvements in both the gross margin and operating expense rate," D-H reported.

Target opened 25 stores in the first half of 1987 and expects to open 46 more in the second half. That would push store count to 317 from 246 at the beginning of the year.

Target is also expected to top $5 billion in sales this year. Last year, Target posted sales of $4.4 billion.

Ulrich to Chair Target; D-H Taps Allbright Prez

(Continued from page 1)

A Target spokesman said no announcement has been made on a successor to Ulrich. The spokesman would not comment on whether or not the president post at Target would be filled.

As D-H president, Allbright will oversee Target, his old division, as well as the Dayton Hudson Department Store Co., Lechmere and Branden's.

"I am pleased to have a seasoned retail veteran like Bruce Allbright joining me as partner," said Macke in a prepared statement. "We will be renewing an association we shared at Target during a period that began Target's rapid and successful growth."

Macke and Allbright worked together from 1976 to 1981, when the former headed Target as chairman and the latter was president. During that time, the discount chain grew from 52 stores in nine states with sales of $729 million, to 151 stores in 17 states with sales of $2.1 billion.

Allbright went to F.W. Woolworth in 1981 as chairman and ceo of Woolworth-Woolco, returning to D-H the following year as Target vice chairman and chief administrative officer. He was named chairman and ceo in 1982.

Since that year, Target has grown from 151 units in 17 states to 317 stores in 24 states by year-end. In 1982, sales were $2.4 billion; this year, sales are expected to top $5 billion.

Allbright began his business career with Genesco Inc., where he worked for 23 years. He rose to president and ceo of several divisions by 1971. Later that year, he joined D-H as president of its B. Dalton Bookselier division, a post he held until 1974 when he was named vice president and group officer of D-H. He was promoted to senior vp of specialty stores in 1976, and the following year he joined Macke at Target.

Ulrich joined D-H in 1967 as a merchandising trainee. He rose through the merchandising ranks to become president and ceo of Diamond's Department Stores in 1981. In 1984, he became president of the then newly formed Dayton Hudson Department Store Co. Later that year, he was named president of Target and was promoted to president and coo last April.

Hollis Outlines Plan

Ames to Add Security to Fight Theft

(Continued from page 1)

burgh, a central warehouse in New Jersey and in company trucks en route from that warehouse to stores.

A company spokesman revealed that security seals on delivery trucks were sometimes slit and at other times replaced entirely at highway stopovers, whereupon items were removed from packing containers. The containers were then checked in at receiving docks without a piece-by-piece inventory.

In his address to analysts, Hollis said that a comprehensive anti-shrink program has already been implemented at Ames, which will "bring shrink down from 2.5 percent at cost in the first half of the fiscal year [which is already down from 2.7 percent in the second half of the last year] to 2 percent at cost for the second half of this year."

In forecasting further results, he said, "Our midterm goal is to reduce shrink to no more than 1.8 percent for the first half of next year." He added that the company's anti-shrink program would "put us in the forefront of inventory shrink control, and that will increase our profits."

Some of the steps Ames has taken include engaging Coopers & Lybrand audit and consulting divisions to perform a detailed audit of every accounting procedure, system and report related to inventory; hiring security specialists Royal-Schutt International; retaining loss prevention experts Jack L. Hayes Inc.; and conducting its own in-depth reviews of distribution and trucking systems, physical plant locations and personnel integrity testing systems.

The company is also adding somewhere between 500 and 1,000 security employees who will work in a variety of functions at a number of locations.

Public accountants Arthur Andersen have been contracted to conduct "a comprehensive review of all the manual and automated systems at our distribution centers and warehouses," Hollis said.

To date, no arrests have been made and a company spokesman cautioned that evidence so far had failed to uncover any widespread conspiracy to systematically loot the company's inventory. Rather, the spokesman said, evidence so far indicates that the company's accounting system, particularly that employed by the former Murphy Marts, was vulnerable in several areas to pilferage by employees and service companies.

Ames has already tightened its inventory receiving system, replaced security seals with new ones more difficult to circumvent by simply removing the door at the hinge or replacing the whole mechanism, and added nearly undetectable anti-theft strips to merchandise in "several" stores (see story, page 3).

Hollis said that because of unexpectedly deep seasonal markdowns taken in the second quarter, Ames will likely report lower markdowns in upcoming periods.

"Our conservative forecast is that, although we will be profitable in [the third] quarter, our earnings will be significantly lower than last year's 30 cents a share," he said. "Importantly, during the first half of the year, we took the opportunity to further our goal of narrowing our merchandise assortments in many hard lines departments."

Hollis had said at Ames' annual shareholders meeting this spring that a key to future profitability would be an expansion of fashion apparel and a de-emphasizing of low-margin hard goods. He reported that as a result of the mid-year markdowns, average store inventory is down from last year and merchandise is better distributed store-to-store. Also, he said that, "Better merchandise planning has positioned our total inventory to yield an improved turnover rate."

Yellow Front Accelerates Expansion Plans

(Continued from page 2)

change—will probably not take place until Jan. 1, 1988, said Perry Steinhoff, Yellow Front's advertising director.

Steinhoff said each Bonanza site will be evaluated and then transformed to Yellow Front's merchandise mix and presentation.

While the typically 8,000-square-foot Bonanza stores are slightly smaller than the Yellow Front average of 12,000 square feet, both chains have carried similar merchandise while catering to generally the same clientele.

With 60 percent of its stores in small towns—5,000 to 40,000 in population—Yellow Front has been merchandised for blue collar, rural and/or agricultural markets.

Yellow Front has functioned as "a general store for the small community," offering clothing basics, sporting goods, some hardware, toys, domestics, lawn & garden, automotives and discounted merchandise, Steinhoff said.

Steinhoff said soft goods account for approximately 40 percent of the merchandise and consist primarily of Levi's jeans, flannel shirts and low-end apparel. Hard goods comprise about 50 percent of the offering, with everything from fishing and hunting licenses to kitchen plastics. Auto supplies account for the remaining 10 percent.

Bonanza, too, has sought out the small-town markets with general variety store products at discounted prices.

Yellow Front considers Wal-Mart its main competitor, and runs extensive promotional advertising. Of late, Yellow Front has become more involved with what it terms "opportunity buys."

Steinhoff said these buys have included manufacturer overruns and closeouts, discounted items, imports and off-season merchandise.

This merchandise direction will be further pursued, president Sean Lee said, since the company will have additional buying power with the Bonanza stores. However, Steinhoff said the chain will not deviate greatly from its core business.

Buying for Yellow Front is handled at the company's headquarters, with all merchandise moving through a 300,000-square-foot warehouse. The same system will assimilate buying and distribution for the Bonanza stores.

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Vol. 26, No. 20 Oct. 12, 1987

FOOD MERCHANDISING

FM

FOR NON-FOOD RETAILERS

Winter, 1987

Special Report: Makro Wholesale Clubs: Using Groceries to Court Shoppers

Alcoholic Beverages: Drug & Discount Chains are Doing Great with Wine Coolers, Fruit Flavored Wines & Cordials.

Pet Care: The Selling Opportunities are in Accessories and Foods

How K & B Drug adds "zest" to liquor ads

Sami Seasonality Study: What to Promote next Summer.

How Pet Care Performs

With drug and discount stores expanding facings and ads for pet care, sales are up 10% and better in most chains

As drug and discount store chains strive to expand their convenience appeal to local shoppers, more space and more feature activity is being focused on the pet food category.

Buyers for both drug and discount stores say they are continuing to advertise the best selling brands of pet food heavily to lure value conscious shoppers into their stores.

At the same time, most discount store chains are expanding their pet food departments to include a wide variety of pet accessories including many items and brands previously only available before in pet supply stores (see accompanying story).

Drug chains, for the most part, are continuing to rely on Hartz and Sargeant for most of their everyday pet accessories, but some drug chains like Osco, Walgreen's, Revco, etc., are also starting to feature offbeat types of pet accessories like pet transporters or automatic food and water dishes in their ads.

When pet food buyers and store managers talk about pet care, however, they still tend to stress the traffic building potential of the brand name food items like Purina, Carnation, Alpo, Gaines Burgers, 9 Lives, etc.

Most drug and discount store pet food buyers say that the core of their pet food departments is still the food section, and in most chains, foods for dogs, cats, birds and small animals usually accounts for between 50% and 80% of both space allocations and sales.

Drug chains still have a preference for carrying and promoting canned cat and dog foods, especially Purina, Nine Lives, Carnation, Kal Kan and Alpo.

Discount store chains also promote the canned foods often, but they are also inclined to offer especially low prices on the 25-lb. bags of dry dog food as well as the 10-lb. bags of cat food and the large size bags of kitty litter.

Discount chains are also more aggressive in carrying foods and accessories for birds, small animals and rodents. Some also sell live birds and small animals, but in the drug store industry, only one chain

Photo by Ray Garland

Half of all American households now own one or more pets. Nonfood chains are courting that shopper by stressing price, convenience and assortment.

Growth in Pet Food Sales by Retail Outlet

Retail Outlets	1986 Est Sales (billions)	% change	1985 Est Sales (billions)
Food stores	$5.250	3.0%	$5.100
Pet Supply Stores	0.210	17.0	0.182
Warehouse Clubs	0.154	90.0	0.081
Mass Merchandise stores	0.095	10.0	0.086
Drug stores	0.056	11.0	0.051
Total	5.765	4.8	5.500

Source: Sami, Pet Supplies Marketing, Malcolm Knapp Inc.

Estimated Share of 1986 Dog & Cat Food Sales		
Retail Outlet Market	**Dog/Cat Food $ Sales (billions at retail)**	**% share of total**
Food stores	$5.250	91.1%
Pet Supply Stores	0.210	3.6
Wholesale Clubs	0.154	2.7
Mass Merchandise stores	0.095	1.6
Drug stores	0.056	1.0
Total Pet Foods	5.765	100.0%

Source: FM estimates based on Sami, Pet Supplies Marketing and Malcolm Knapp Inc.

Photo by Ray Garland

There were 52 million pet cats in the nation in 1986, according to the Pet Foods Institute. Owners were out buying everything from food through cedar chip beds.

specializes in the sale of birds and small animals, and that chain, Perry Drug, leases rather than runs its live pet departments.

Buyers for drug chains say they tailor their ads and their planograms to the "convenience minded shopper who appreciates a value." The strategy is to buy the brand name foods on deal and then to advertise them at a super low price to undercut the food stores which have the largest share of pet food sales.

The discount store buyers try to be even more competitive on foods than the drug chains. However because their stores have more space for pet care items, their ads also feature the 25- and 50-lb. bags of dry dog food as well as the best selling brands of 10-lb. kitty litters.

One Wal-Mart manager says that pet foods give his chain an opportunity to "build a low price image" while simultaneously enhancing profits.

"We never promote pet foods at cost," he says. "Instead we try to buy our advertised specials from deal to deal, and although that strategy lets us be super competitive on price, it also lets us make a healthy profit on the category."

According to some sources, Wal-Mart usually makes at least a 10% margin on its featured pet foods, and can make as much as 25% on its private label dog food, Ol'Roy.

Primarily because of the increased emphasis on promoting and expanding pet care sections, drug and discount stores are getting more growth from the pet care category than the food stores, which currently do about 91% of total pet food sales in the country.

According to FM estimates based on research done by Malcolm Knapp Inc., in New York, sales of dog and cat foods in discount stores increased 10% last year to approximately $95 million.

To date, Malcolm Knapp is estimating that pet food sales in discount stores will go up another 8% this year to $103 million.

In drug stores, Knapp estimates that pet food sales increased about 11% in 1986 to $56 million, and should grow another 11% in 1987 to $62 million.

In contrast, SAMI estimates indicate that food stores only increased their pet food volume by about 3% in 1986 to $5.25 billion, and food stores are expected to generate about the same growth in 1987.

The most dramatic growth in pet food sales last year came from the high volume wholesale clubs that are starting to proliferate across the nation.

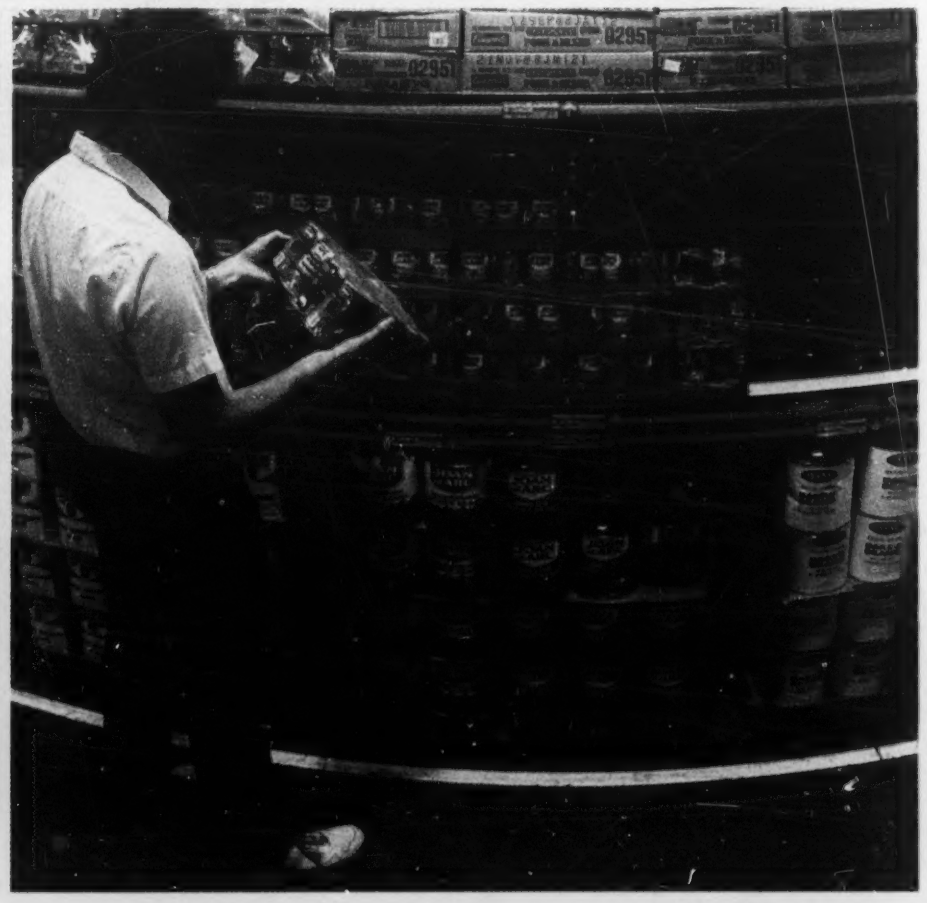
Malcolm Knapp is estimating that pet food sales in the $8 billion wholesale club industry increased about 90% in 1986 to $154 million.

In 1987, when this fast growth industry is projected to do close to $12 billion a year in sales, Knapp is estimating that pet food sales will increase another 55% to $239 million.

The everyday pet food department in wholesale clubs is already averaging over 80 to 90 ft. Canned foods are usually sold in case lots off pallet displays while 25- and 50-lb. bags of dried food are also merchandised off pallets or ends.

In suburban and rural markets, discount chains like Wal-Mart and K mart are also featuring 25- and 50-lb. bags of the leading brand dog foods as well as large size cat foods and kitty litters.

Buyers say that when they advertise a well-known brand like Carnation or Purina at a competitive price, they can usually sell through their ordered quantities in "less than two weeks."



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Overall category sales are down, but sales of wine coolers, imported beers, and liquors and wines made with peaches and other fruits are booming. 23

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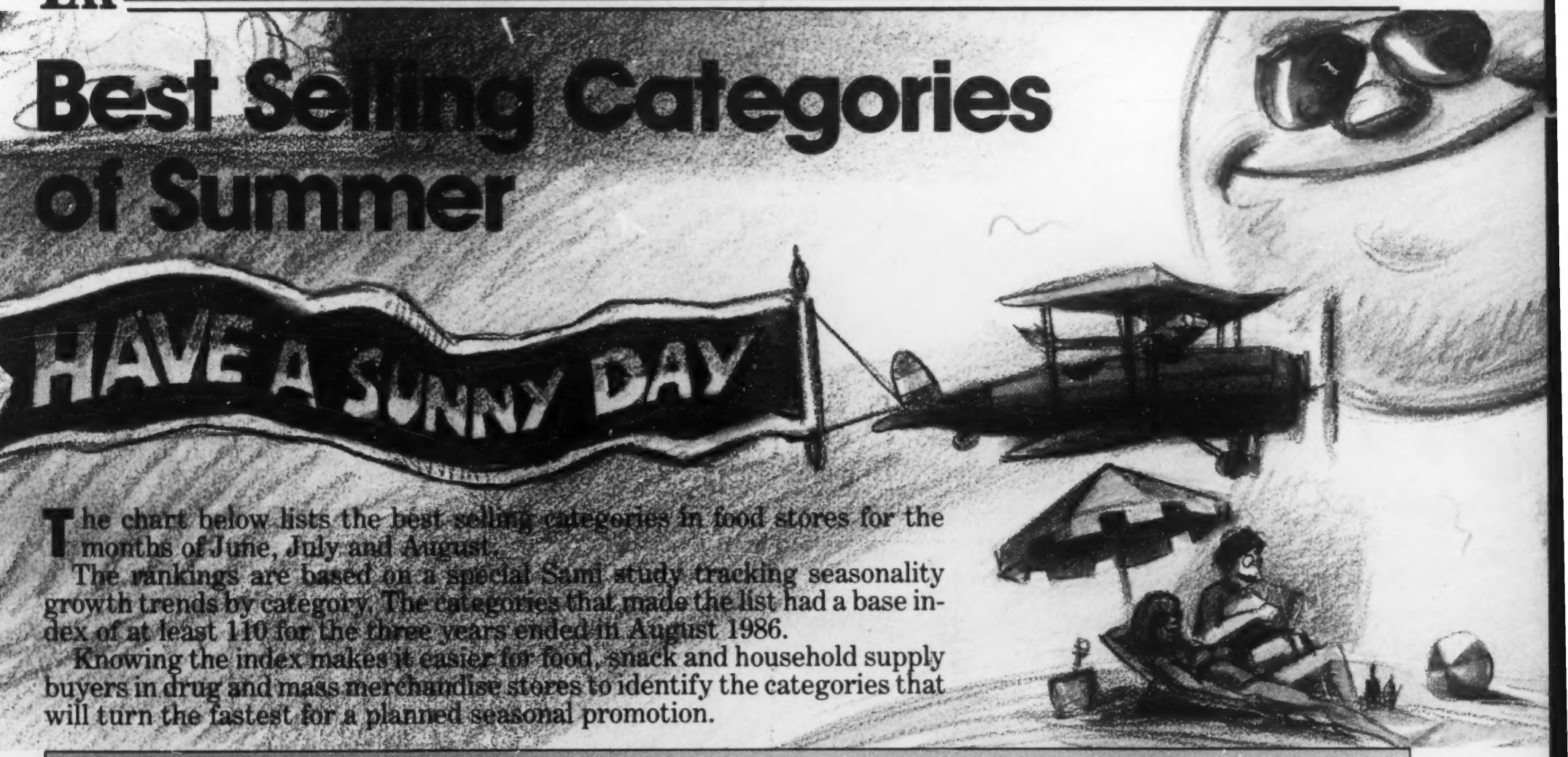
Best Selling Categories of Summer



The chart below lists the best selling categories in food stores for the months of June, July and August.

The rankings are based on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ended in August 1986.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.

FOODS AND GROCERIES: BEST SELLERS OF SUMMER

(Averaging three year index ranking)

June

Foods	Index ranking
Fruit pectin	250
Freezer bars	231
Barbecue sauce	155
Canned prepared salads	152
Relishes	145
Iced tea mix/liquids	142
Pork & beans	137
Instant tea	130
Soft drink mixes	126
Mustard	121
Reg. soft drinks	121
Lo-cal salad dressing	120
Juice/juice concentrate	120
Canned meat spreads	120
Canned sausage/frankfurters	120
Lemon/lime juices	123
Meat sauce	118
Pourable salad dressings	118
Chips/snacks	118
Nonfoods	
Insect repellents	235
Charcoal	198
Charcoal lighter	180
Car care products	136
Insecticides	136
Plastic flatware	132
Paper/plastic plates	124
Paper/plastic cups	118
Soil/stain removers	118
Mildew removers	114
Bleach	113
Window cleaners	112
Soap/bubble bath for children	112

July

Foods	Index ranking
Fruit pectin	276
Freezer bars	229
Vinegar/cooking wines	165
Iced tea mix/liquids	154
Barbecue sauce	147
Canned prepared salads	147
Relishes	142
Soft drink mixes	137
Pork & beans	135
Reg. soft drinks	132
Instant tea	128
Lemon/lime juices	123
Canned shrimp	121
Potato chips	121
Mustard	120
Spoonable salad dressings	119
Lo-cal soft drinks	119
Cocktail mixes	119
Meat sauce	118
Nonfoods	
Insect repellents	249
Charcoal	201
Charcoal lighter	183
Insecticides	138
Plastic flatware	136
Car care products	135
Paper/plastic plates	127
Soil/stain removers	124
Paper/plastic plates	123
Disinfectants	113
Bleach	113
Tampons	113
Moist towelettes	112

August

Foods	Index ranking
Freezer bars	186
Vinegar/cooking wines	176
Fruit pectin	170
Iced tea mix/liquids	141
Soft drink mixes	124
Reg. soft drinks	122
Bottled water	121
Lemon/lime juices	119
Instant tea	117
Baking powder/soda	116
Granulated sugar	116
Lo-cal soft drinks	115
Choc candy bars	112
Canned tuna	111
Packaged tea	111
Canned shrimp	110
Packaged gum	110
Cocktail mixes	110
Nonfoods	
Insect repellents	161
Charcoal	135
Insecticides	131
Soil/stain removers	125
Charcoal lighter	122
Food storage bags	122
Rug cleaners	116
Bleach	116
Upholstery cleaners	114
Car care products	113
Mildrew removers	112
Window cleaners	111
Soap/bubble bath for children	110

Source: SAMI Seasonality Report

Health craze hurts liquor sales

Spirit sales are down, wine and beer are up slightly, but cooler sales are exploding, creating new users and copy cat brands

Growth in the alcoholic beverage category has not been strong in the last few years.

The interest most Americans now have in health, fitness and well being is turning most consumers away from alcoholic beverages to lighter and healthier drinks.

In the distilled spirits segment of the liquor category, total case shipments into the U.S. were down by 6.6% in 1986, according to IMPACT, the industry's leading research publication.

IMPACT reports that "each and every brown segment fell last year, with bourbon, scotch, and the smaller volume Irish whiskey segment posting double-digit declines of 10.4%, 11.3% and 23% respectively.

IMPACT tracked blended whiskey shipments down by 9.3% while the Canadian whiskeys were down by 4.9%.

White good shipments also fell, but not as drastically. IMPACT reports that white good shipments were down a total of 5.5% in 1986. Rum dropped the most dramatically, down 9.9% while gin was down 7.1% and vodka was down 3.5%.

Tequila dropped 2.6%. Brandy dropped 7.9% while cocktails/mixed drinks dropped 20%. Cordials and liqueurs were flat.

If cooler sales are included in the wine segment, than that category was slightly up in 1986. Beverage Industry, one of the industry's major trade publications, says that total wine sales were up 1.7% in 1987, and that coolers led the surge with a 57% increase in shipments.

However IMPACT treats coolers as a separate category, and without counting them as part of the wine category, IMPACT reports that wine shipments were down a total of 5.5% in 1986. Nineteen eighty-six wine sales were at the lowest volume since 1980, IMPACT says.

In contrast, IMPACT is reporting that case shipments of the coolers, which in IMPACT's definition include spirit and malt coolers as well as wine coolers, were up 71.2% in 1986, a "spectacular" increase in a declining market.

In white goods, imported vodka has been out-performing the liquor

Top 10 Domestic Brands of Beer

Brand	1986 Est total beer market share (Domestic brands)	Share point chng '86 vs '85	Category segment	Est share of domestic segment sales	Share point chg '86 vs '85
1. Budweiser	25.8%	0.7	Premium	57%	3
2. Miller Lite	10.3	—	Light	46	(3)
3. Miller High Life	5.6	1.1	Premium	12	(2)
4. Coors	4.3	0.4	Premium	9	1
5. Busch	4.1	0.6	Popular	21	3
6. Old Milwaukee	4.0	0.1	Popular	20	(1)
7. Coors Light	3.8	0.5	Light	17	1
8. Budweiser Light	3.5	0.5	Light	16	2
9. Michelob	2.9	(0.2)	Super Premium	66	—
10. Milwaukee's Best	2.6	1.3	Popular	13	3
Total Top 10 share	66.9%	1.3	—	—	—

Based on unrounded data. Additions of columns may not agree because of rounding.
Source: IMPACT Databank

Top 10 Imported Beer Brands

Brand	1986 Est share	Share Point chng (86-85)	Country of origin
1. Heineken	29.3%	(2.3)	Netherlands
2. Corona Extra	11.1	6.5	Mexico
3. Molson	10.7	(1.3)	Canada
4. Beck's	9.2	0.1	West Germany
5. Moosehead	4.7	(0.4)	Canada
6. Labatt's	4.5	0.1	Canada
7. St. Pauli Girl	3.5	(0.5)	West Germany
8. Amstel Light	2.7	0.5	Netherlands
9. Tecate	2.1	0.2	Mexico
10. Dos Equis	2.1	(0.1)	Mexico
Total Top 10 share	79.8	2.8	—

Source: IMPACT Databank

Trends in Beer Consumption

Segment	Millions of beer barrels 1986	% chng	Share of total beer sales '86 Share	'85 Share
Premium	80.0	0.0%	43.00%	43.70%
Popular	44.7	0.0	24.00	24.40
Light	41.1	9.6%	22.10	20.50
Imports	8.8	11.6	4.70	4.30
Super Premiums	5.9	(21.3)	3.20	4.10
Malt Liquors	5.6	1.8	3.00	3.00
Other	0.7	0.0	0.03	0.03
Total	186.8	2.2%	100.00	100.00

Source: Beverage Industry & IMPACT Databank

segment as a whole.

According to IMPACT's research, case shipments of imported vodkas increased 32.4% in 1986.

Absolut's sales were up 39.7%; Stolichnaya was up 31.4%; and Finlandia was up 18.8%. Imported vodkas now have a 6% share of the total vodka segment.

For the first time in three years, IMPACT also reports that the beer industry was up in 1986, by a modest 2.2% gain in barrels shipped.

The growth in the beer segment, however, was coming entirely from light beers, up 9.6% in 1986 and imported, up 11.6%. The rest of the category was either flat or down.

Top 5 Brands of Domestic Wine

Brand	1985 market share
1. Gallo	7.3%
2. Carlo Rossi	6.7
3. Almaden	3.6
4. Ingelnook	3.2
5. Taylor California	2.5

Source: Beverage Industry

Top 5 Brands of Imported Wine

Brand	1985 market share
1. Riuniti	18.0%
2. Cella	4.4
3. Canei	4.2
4. Bolla	3.1
5. Folonari	2.9

Source: Beverage Industry

Trends in Spirit Consumption

Type of Spirits	% change in cases shipped 1986 vs 1985	Share of market 1980	1985	1986
Bourbon	(10.4%)	15.0%	11.5%	11.0%
Blends	(9.3)	9.0	7.0	6.8
Scotch	(11.3)	10.0	9.3	8.8
Canadian	(4.9)	12.0	11.8	12.0
Irish	(23.0)	—	0.2	0.2
Total Brown Whiskies	(8.8)	46.0	39.8	38.9
Gin	(7.1)	10.0	8.7	8.6
Vodka	(3.5)	22.0	22.7	23.4
Rum	(9.9)	7.0	8.3	8.0
Tequila	(2.6)	2.0	2.2	2.3
Total White Spirits	(5.5)	39.0	41.9	42.4
Brandy	(7.9)	4.0	5.2	5.2
Cordials/Liqueurs	—	8.0	11.3	12.1
Cocktails/Mixed Drinks	(20.0)	2.0	1.7	1.5
Total Specialties	(4.1)	15.0	18.3	18.8
Total Distilled Spirits	(6.6)	—	—	—

Regional preferences make Mexican beer "hot"

The drug and discount store buyers who are managing the alcoholic beverage category report tremendous success in 1986 and 1987 with several regional beers.

In the northeast, buyers say their sales of Molson Golden and Moosehead, both Canadian imports have been soaring. In the west and southwest, buyers say that the Corona Mexican beer is the hottest thing to come down the pike since the Jalapeno pepper.

Liquor buyers for drug and discount chains with stores in the west say that Corona beer sales are "escalating."

In some Texas markets, buyers say that regional sales of Corona have increased "more than 300%," and that Corona is starting to outsell Heineken, the country's number one imported beer.

"Corona is a Mexican beer which is why it sells so well in states like Texas and Louisiana," says one buyer. "In the northeast, Molson and Moosehead, which are Canadian beers do especially well.

"People today are traveling more," said one buyer, "and they're also going to more ethnic restaurants, Mexican, Chinese, Japanese, etc. They're being exposed to different types of imported beers in these surroundings, and then they discover they like them, and they seek them out in retail stores.

"There's also more of a status appeal in the imported beers. People who want to make an impression will order a Heineken or a Moosehead rather than a Budweiser or an Old Milwaukee."

Merchandising liquor means promoting coolers, low calorie drinks, sweet drinks

Drug and discount chains are expanding facings and ads for coolers, light and imported beers, and fruit flavored liqueurs

The recent trend among drug and discount chains that carry beer has been to expand facings and feature promotions for the fast growing imports and lighter beers.

Liquor buyers for drug and discount chains say their best sellers in beer this year are the Mexican beers like Corona, Dos Equis, Tecate, and Carta Blanca; the Canadian beers, especially Moosehead and Molson; the West German beers, Becks and St. Pauli Girl; and category leader, Heineken, from the Netherlands.

In domestic beers, the country's best seller was still Budweiser, which had a 25.8% share of the entire domestic beer market in 1986. Budweiser, even though it competes in the premium category of domestic beers which was flat in 1986, gained another 0.7 share points last year.

Miller Lite in 1986 continued to hold onto the No. 2 share spot among domestic beer, according to IMPACT, which also reports that Miller Lite had a one tenth of a point share gain in 1986.

In the wine category, most drug and discount store retailers responded to the growth in cooler sales by eliminating facings on their wine wall for table, dessert and sparkling wines, and turning it over to the top four and five brands in the cooler category.

More chains are also now promoting the coolers instead of liters or the popular California and Italian jug wines.

Most buyers say that coolers have caught on with Americans because they are lower in alcohol which appeals to consumers who want to moderate their drinking. They are blended with fruit drinks to attract the health conscious consumer, and they are portable and easy to serve, as well as sweeter than traditional wines.

The success of the wine coolers has also led to the emergence of several other new segments that buyers report are selling well. These are the fruit flavored wines like the natural peach and raspberry wines from Riunite; the rootbeer and ap-

Nonfood chains are tailoring their beer departments to the best selling segments: light beers, imports, best selling brands and regional favorites.

Top 10 Best Selling Liquor Brands

Brand	% chng thousands of 9 liter cases	1986 market share	Share point change 1986 vs 1985
1. Bacardi Rum	(6.9)	4.6%	(0.2)
2. Smirnoff Vodka	(0.6)	4.1	0.1
3. Seagrams 7 Crown	(9.0)	2.7	(0.2)
4. Canadian Mist	(5.5)	2.3	—
5. Popov Vodka	3.9	2.3	0.2
6. Jim Bean	(6.1)	2.2	(0.1)
7. Dekuyper Liqueurs	38.0	2.2	0.7
8. Jack Daniels Black	(3.8)	2.0	—
9. Seagrams Gin	(3.0)	1.8	—
10. Dewar's	—	1.6	0.1
Top 10 share	(1.4)	25.8	0.6

Based on unrounded data. Addition of columns may not agree because of rounding.
Source: IMPACT Databank

ple schnapps from Dekuyper, and the peach and piña colada schnapps from Leroux.

Most manufacturers also are now either testing or preparing to launch similar types of new products like the Christian Brothers low calorie fruit flavored brandies, the new Jim Beam Fletcher & Oakes spritz flavored prepared cocktail, the wine based fruit flavored Tropic Freezer prepared cocktails from Heublein, the new Jack Daniels fruit flavored mixed cocktails, etc.

"Peach flavored wines like Riunite appeal directly to the same consumer who supports the wine cooler category," says Stan Bevis who buys alcohol and other beverages for the 145 unit K & B chain in New Orleans.

Bevis, whose beverage department is profiled in this issue, says that Riunite Peach sales have been "excellent" in K & B stores this year.

Along with coolers, one of the few bright spots in a tough category.

In different parts of the country, other retailers also say they are building more floor displays and using more endcaps for the sweeter and fruitier drinks.

More chains are also expanding their merchandise mix to include strong selling regional favorites like Mexican beers in the south and western parts of the country and Canadian beers in the Northeast.

Many others are continuing to cross merchandise party goods, snack foods and assorted bar accessories in their liquor departments to encourage incremental sales.

A few, like K & B, Longs', etc., are dressing up their wine departments with artifacts like trellises and vines.

And many chains are also giving more ad and floor space to the best selling brands within the more traditional categories.

"If I'm going to promote vodka," says one buyer for a West Coast chain, "I'll promote the most popular brand like Absolut and Stolichnaya.

"If I'm promoting tequilla, it'll be Jose Cuervo or maybe Sauza."

At K & B, Bevis says he'll use a best selling brand like Jack Daniels to make consumers aware that K & B has the top brands at the best prices.

"When a category is flat, the best thing you can do," says one buyer, "is identify the top sellers, and promote the hell out of them."

The best way to attract the liquor shopper: feature the best selling brands at a super hot price and make the department "highly visible."

Trends in Wine Consumption

Segment	Millions of 9 liter cases 1986	% chng	'86 share of total wine sales	Share point chng 86-85
Table Wines	147.1	(7.4%)	75.1%	(1.7)
Sparkling Wines	18.7	(4.5)	9.5	0.2
Dessert Wines	14.7	3.2	7.5	0.6
+ Special Natural	10.9	1.9	5.6	0.4
Vermouth	2.7	(6.9)	1.4	—
+ + Imported Specialty Wines	1.8	104.7	0.9	0.5
Total	195.9	(5.5)	—	—

+ Wines like Thunderbird, Boone's Farm
+ + Imported sangria and other fruit flavored wines
Unrounded data. Additions of columns may not add up because of rounding
Source: IMPACT

Top 10 Best Selling Cooler Brands
(wine, malt and spirit coolers)

Brand	1986 % chng 9 liter cases	Type of cooler	Est 1986 market	Share point chng '86-'85
1. Bartles & Jaymes	126.7%	wine	23.5%	5.7
2. California Cooler	11.2	wine	16.4	(9.0)
3. Sun Country	100.0	wine	13.8	1.9
4. Seagram's Wine Coolers	132.5	wine	12.8	3.3
5. White Mountain Cooler	112.5	malt	9.4	1.8
6. Calvin Coolers	103.6	wine/malt	7.9	1.2
7. 20/20 Wine Cooler	—	wine	2.2	(1.6)
8. Dewey Stevens	+	wine	2.1	—
9. La Croix Sparkling Cooler	23.5	malt	1.4	(0.5)
10. Champagne Coolers	+	malt	1.3	—
Top 10 Share of market	84.6	—	90.8	6.2
Total Coolers	72.0	—	100.0%	—

+ In first year of distribution
Source: IMPACT Databank